

#### The Founders

# CHAPTER 1: THE PHYSIOCRATS

POLITICAL economy as the name of a special science is the invention of one Antoine de Montchrétien, who first employed the term about the beginning of the seventeenth century. Not until the middle of the eighteenth century, however, does the connotation of the word in any way approach to modern usage. A perusal of the article on Political Economy which appeared in the Grande Encyclopidue of 1755 will help us to appreciate the difference. That article was contributed by no less a person than Jean Jacques Rousseau, but its medley of politics and economics seems utterly strange to us. Nowadays it is customary to regard the adjective 'political' as unnecessary, and an attempt is made to dispense with it by employing the terms 'economic science' or 'social economics,' but this article clearly proves that it was not always devoid of significance. It also reveals the interesting fact that the science has always been chiefly concerned with the business side of the State, especially with the material welfare of the citizens-"with the fowl in the pot," as Henry IV put it. Even Smith never succeeded in getting quite beyond this point of view, for he declares that "the object of the political economy of every nation is to increase the riches and the power of that country."1

But the counsels given and the recipes offered for attaining the desired end were as diverse as they were uncertain. One school, known as the Mercantilist, believed that a State, like an individual, must secure the maximum of silver and gold before it could become wealthy. Happy indeed was a country like Spain that had discovered a Peru. or Holland, which, in default of mines, could procure gold from the foreigner in exchange for its spices. Foreign trade really seemed a quite inexhaustible mine. Other writers, who were socialists in fact though not in name-for that term is of later invention-thought that happiness could only be found in a more equal distribution of wealth, in the abolition or limitation of the rights of private property, or in the creation of a new society on the basis of a new social contract -in short, in the foundation of the Utopian commonwealth.

At was at this juncture that Quesnay appeared. Quesnay was a Wealth of Nations (Canman's edition), Vol. I. p. 251.

THE PHYSIOCRATS Turgot was the only literary person among them, by infreres he was devoid of wit, though the age was noted for its In the whole they were a sad and solemn sect, and the

abit of insisting upon logical consistency-as if they we epositaries of eternal truth-must often have been very hey soon fell an easy prey to the caustic sarcasm of Volt espite all this they enjoyed a great reputation among t minent contemporaries. Statesmen, ambassadors, and alaxy of royal personages, including the Margrave of Ba ttempted to apply their doctrines in his own realm, the Gr

An enthusiastic disciple of Quesnay, Dupont's rôle was chiefly that of a t Physiogratic doctrines, and he made little original contribution to the

a early date, moreover, the great political events in which he took an oved a distraction. He survived all his colleagues, and was the only ho lived long enough to witness the Revolution, in which he played

art. He successively became a deputy in the Tiers Etat, a president of

moured at the hands of the Institut when he became a member of that b In 1777 Le Trosne, an advocate at the Court of Orleans, published a b e l'Intégét social, par rapport à la Valeur, à la Circulation, à l'Industrie et a hich is perhaps the best or at least the most strictly economic of all. M so be made of the Abbé Baudeau, who has no less than eighty volumes t iefly dealing with the corn trade, but whose principal work is L'Intri ulasophia degnoraque (1771); and of the Abbé Roubaud, afterwards A iden, who had the advantage of being not merely a writer but a princ

lity.

rried out some Physiocratic experiments in some of the villages of his si

We have not yet mentioned the most illustrious member of the scho meet of his talent and his position, namely, Turgot (1727-81). His name upled with that of the Phytiocrats, and this classification is sufficiently e similarity of their ideas. Still, as we shall see, in many respects he star If, and bears a close resemblance to Adam Smith. Moreover, he commen fore the Physiocrats. His essay on paper money dates from 1748, when convene wears of are, but his most important work. Reference we to for

ent Assembly, and later on, under the Directoire, Président du Conseil e even assisted in the restoration of the Empire, and political econor nd most unexpectedly of all, they were well received by the Court dides at Versallels. In a word, Physiocracy became the rage. All this nay seem strange to us, but there are several considerations which hay well be kept in view. The society of the period, refilm and licenious as it was, took the same delight in the 'rural economy' of the Physiocrats as it did in the pastorals of Trianon or Watteau. Perhaps it gleaned some comfort from the thought of an unchangeable "natural order," just when the political and social edifice was giving way beneath its feet. It may be that its curiosity was roused by that terse saying which Quesnay wrote at the head of the Tablesu Geometique. "Pauvres payasns, pauvre royaume! Pauvre royaume, pauver roil" or that it felt in those words the sough of a new breeze, not very threatening as yet, but a forerunner of the coming storm.

An examination of the doctrine, or the essential principles, as they called them, must precede a consideration of the system or the proposed application of those principles.

### I: THE NATURAL ORDER

(The essence of the Physiocratic system lay in their conception of the 'natural order', FOrder natural et essentiel des Sociétés politiques is the title of Mercier de la Rivière's book, and Dupont de Nemours defined Physiocracy as "the science of the natural order."

What are we to understand by these terms?

It is hardly necessary to say that (the term 'natural order' is meant

It is hardly necessary to say that(the term 'natural order' is meant to emphasize the contrast between it and the artificial social order voluntarily created upon the basis of a social contract. But a purely negative definition is open to many different interpretations.

1.1. J. Rouseau, the author of the Control Small (1750), was a contemporary of the Physiotrast, but he never became a member of the achool. Mirabeau's stempt to win his alleglance proved a fadure. The "natural order" and the "social contract" win incompatible, for the natural and spontaneous can never the subject of sontract. One might even be tempted to think that Rouseau's eclebrated theory as formulated in opposition to Flynicarcy, unders we remembered that the social-work theory is much older than Rouseau's work. Traces of the same idea may work of the social properties of the same idea may work of the social properties of the same idea may work of the social properties of the same idea may be adverted to the a list of pathernatical problem, and any proposed adverse must saidly retrain complicated conditions, which are formulated thus To find a form of assectation which proposed understanding the social properties that the whole common forest the person.

Even this explanation seems to us insufficient. Dupont, in the words which we have quoted in the footnote at p. 27, seems to imply that the laws of the bechive and the ant-bill are imposed by common consent and for mutual benefit. Animal society, so it seemed to him, was founded upon social contract. But such a conception of 'law' is very far removed from the one susually adopted by the natural sciences, by physicians and biologists, say. 'And, as a matter of fact, the Physicoras were anything but determinists. (They neither believed that the 'natural order' imposed itself like gravitation nor imagined that it could ever be realized in human society as it is in the five or the antihilly. They saw that the latter were well-ordered communities, while human society at its present state is disordered, because man is free whereast the animal is not

What are we to make of this 'natural order,' then? 'The 'natural order,' so the Physiocrats maintained, is the order which God has ordained for the Inspirines of mankind) It is the providential order.' To understand it is our first duty—to bring our lives into conformity with it is our next.

But can a knowledge of the 'order' ever be acquired by men? To

this they reply that the distinctive mark of this 'order' is in obviousness. This word occurs on almost every page they wrote. Still, the self-evident must its some way be apprehended. The most brilliant light can be seen only by the eye. By what organ can this be secoed? By instinct, by convicience, or by reason? Will advine voice by means of a supernatural revelation show us the way of truth, or will it be Nature a hand that shall lead us in the blessed path? The Physicerats seem to have ignored this question, for every one of them indifferently gives his own answer, regardless of the fact that it may contradict another's. Mercier de la Rivière recalls the saying of St John concern-

which govern society." Fiscwhere he adds: "The natural order is merely the physical constitution which God Himself has given the universe." (Introduction to Quernay's works, p. 21.

normal, p. 21-2.

Hector Denis in his Humbs des Dactones expresses the belief that the most characbrinite feature of the Physiocratic system is the emphasis laid upon a naturalistic conterption of society. He sillustrates this by means of diagrams showing the identity of the circulation of wealth and the circulation of the blood.

<sup>/3 &</sup>quot;Its laws are freeworkle, pertaining as they do to the essence of matter and the wall of humanny. They are just the expression of the will of God. . All our interests, all our which, are focused at one point, making for harmony and universal happiness. We must regard this as the work of a juicd Providence, which delers the earth should be peopled by happy human beings." (Mercire de la Riviera,

requires. We must regard this as the work of a kind Providence, which denore that the earth should be peopled by happy human being." (Martine de la Riviert, Vol. I, p. 399; Vol. II, p. 698). In Three is a natural place of all architecture, were of the answeriger's. This Juley, which recognizes no exceptions, in June 1999, and these conducting with the opposition on natural laws." (Objects, Vol. I, p. 7 $(L_1)$ ).

ing the "Light which lighteth every man that cometh into the world." This may be taken to be an internal light set by God in the heart of every man to enable him to choose his path. Quesnay, so Dupont affirms, "must have seen that man had only to examine himself to find within him an inarticulate conception of these laws. In other words, introspection clearly shows that men are unwittingly guided by an 'inherent' knowledge of Physicoracy." But, after all, it seems that this intuitive perception is insufficient to reveal the full glory of the order. For Quesnay declared that a knowledge of its laws must be enforced upon men, and this afforded a ruism d'fur for an educational system which was to be under the direct control of the Govern-

ment.

"Io sum up, we may say that the 'natural order' was that order which seemed obviously the best, not to any individual whomsoever, but to rational, cultured, liberal-minded men like the Physiocrats. (It was not the product of the observation of external facts; it was the revelation of a principle withins And this is one reason why the Physiocrats showed such respect for property and authority. It seemed to them that this formed the very basis of the 'natural order.'

It was just because the 'natural order' was 'supernatural,' and so raised above the contingencies of everyday life, that it seemed to them to be endowed with all the grandeur of the geometrical order, with its double attributes of universality and immutability. It remained the same for all times, and for all men. Its fat was 'unique, eternal, invariable, and universal.' Divine in its origin, it was universal in its cope, and its praises were sung in litanes that might rival the de Maria.\(^1\) Speaking of its universality, Turgot writes as follows: 'Whoever is unable to overlook the accidental separation of political states one from another, or to forget their diverse institutions, will never treat a question of political economy satisfactorily.'\(^2\) Referring to is immutability, he adds: 'I'll is not enough to know what is or what has been; we must also know what ought to be. The rights of man are not founded upon history: they are rooted in his nature.''

It looked as if this dogmatic optimism would dominate the whole Classical school, especially the French writers, and that natural law would usurp the functions of Providence. To-day it is everywhere discredited, but when it first loomed above the horizon its splendour dazzled all eyes. Hence the many laudatory remarks, which to us seem hyperbolical, if not actually ridiculous. But it was no small

<sup>&</sup>lt;sup>1</sup> Dupont, introduction to Quesnay's works, Vol. I, pp. 19 and 26
<sup>8</sup> Raudeau, Vol. I, p. 820.

<sup>a</sup> Letter to Mile Lespmasse (1770)

See some remarks on the Tableau transmitus on p. 37.

one class of production only, namely, agriculture. Here alone, so it seemed to them, the wealth produced was greater than the wealth consumed. Barring accidents, the labourer reaped more than he consumed, even if we included in his consumption his maintenance throughout a whole year, and not merely during the seasons of harvest and tilth. It was because agricultural production had this unique and marvellous power of yielding a 'net product' that economy was possible and civilization a fact. Lit was not true of any other class of production, either of commerce or of transport, where it was very evident that man's labour produced nothing, but merely replaced or transferred the products already produced. Neither was it true of manufacture, where the artisan simply combined or otherwise modified the raw material.2

(It is true that such transfer or accretion of matter may increase the value of the product, but only in proportion to the amount of wealth which had to be consumed in order to produce it; because the price of manual labour is always equal to the cost of the necessaries consumed by the worker.\ All that we have in this case, however, ir " collection of superimposed values with some raw material thrown i the bargain. But, as Mercier de la Rivière put it, "addition is :

multiplication."3 Consequently, industry was voted sterile. This implied no content for industry and commerce. "Far from being useless, these are t arts that supply the luxuries as well as the necessaries of life, and up these mankind is dependent both for its preservation and for its we

"The prosperity of mankind is bound up with a maximum net product." (Dup) de Nemours, Orizine d'une Science noutelle, p. 346.)

"This physical truth that the earth is the source of all commodities is to very evide that none of us can doubt it." (Le Trosne, Intell social.)

"The produce of the soil may be divided into two parts . . . what remains over

free and disposable, a pure gift given to the cultivator in addition to the return i his outlay and the wages of his labour." (Turgot, Riflexions.)

"1 "Labour applied anywhere except to land is absolutely sterde, for man is not erestor." (Le Trosne, p. 042 )

"Raw material is transformed into beautiful and useful objects through the di gence of the artisan, but before his task begins it is necessary that others should supp the raw material and provide the necessary sustenance. When their part is complete others should recompense them and pay them for their trouble. The cultivators, c the other hand, produce their own raw material, whether for use or for consumption as well as everything that is consumed by others. This is just where the different between a productive and a sterile class comes in." (Baudeau, Correspondence at

M. Gradia.) 3 "A weaver buys food and clothing, giving 150 francs for them, together with quantity of flar, for which be gives 50 france. The cloth will be sold for 200 france. that will cover all expenditure." (Mercier de la Rivière, Vol. II, p. 598

try merely superimposes value, but does not create any which did not pre ly exist." (Ibid)

ocing."1 They are unproductive in the sense that they produce no extra' wealth.

It may be pointed out, on the other hand, that the 'gains', both in industry and commerce, are far in excess of those of agriculture. All this was immaterial to the Physiocrats, for "they were gained, not produced." Such gains simply represented wealth transferred from the agricultural to the industrial classes. The agricultural classes furnished the artisans not only with raw material, but also with the necessaries of life. The artisans were simply the domestic servants, or, to use Turgot's phrase, the hirelings of the agriculturists. Strictly speaking, the latter could keep the whole net product to themselves, but finding it more convenient they entrust the making of their clothes, the crection of their implements to the artisans, giving them a portion of the net product as remuneration. It is possible, of course, that, like many servants in fine houses, the latter manage to make a very good living at their masters' expense.

The 'sterile classes' in Physiocratic parlance simply signifies those who draw their incomes second-hand. The Physiocrats had the good sense to try to give an explanation of this unfortunate term, which threatened to discredit their system altogether, and which it seemed unfair to apply to a whole class that had done more than any other towards enriching the nation.

It is a debatable point whether the Physiocrats attributed this virtue. Is Bandeau, Edwin, IX (1795). We foeds that the Physiocrats go not a useful as hypertal and the Physiocrats go not a useful as hyperball and the Physiocrats and the Physiocrats and the Physiocrats and the Physiocrats and place them, because want puts a price upon the service of the one just as it does upon the charity of the other." (Do Marchaul & grane, in the Jinnah of Physiocrats (and Common, at & Broness, December 1732, quoted in a these on the tent rated by M. Curmond, 1900.) We must miss upon the later that "unproductive between the production of the Physiocrats and the productive state of the Physiocrats and the productive state of the Physiocrats as useful as that of the cultivator who produced the wool and the flax, or rather that the latter's to the useless without the industry of the former. They also realized that although we may say that agreealoral labour as more useful than the cultivator who when that states had been producing rose, or multivary cannot say a term to producing rose, or multivary.

trees for rearing silkworms.

Le Trosne, p. 945.

<sup>2.6</sup> Frome, p. 945.
3 "It seems necessary as well as simple and natural to distinguish the men who pay others and draw their wealth directly from nature, from the paid men, who can only obtain it as a reward for useful and agreeable services which they have rendered

to the former class." (Dupont, Vol. I, p. 142)

4 It is rather strange that Turget should have added this qualification, because he was more favourable to industry and less devoted to agriculture than the rest of the Physiocrate

<sup>2</sup>n'I must have a man to make my clothes, just as I must have a doctor whose advice I may ask concerning my health, or a lawyer concerning my affairs, or a servant to work instead of me." (Le Trane, p. 949.)

of furnishing a net product solely to agriculture or whether they intended it to apply to extractive industries, such as mining and fishing. They seem to apply it in a general way to mines, but the references are rare and not infrequently contradictory. We can understand their hesitating, for, on the one hand, mines undoubtedly give us new wealth in the form of raw materials, just as the land or sea does; on the other hand, the fruits of the earth and the treasures of the deep are not so easily exhausted as mines. Turgot put it excellently when he said, "The land produces fruit annually, but a mine produces no fruit. The mine itself is the garnered fruit," and he concludes that mines, like industrial undertakings, give no net product, that if anyone had any claim to that product it would be the owner of the soil, but that in any case the surplus would be almost insignificant. This essential difference which the Physiocrats sought to establish

between agricultural and industrial production was at bottom theological. The fruits of the earth are given by God, while the products of the arts are wrought by man, who is powerless to create.2 The reply is obvious. God would still be creator if He decreed to give us our clothes instead of our daily bread. And, although man cannot create matter, but simply transform it, it is important to remember that the cultivation of the soil, like the fashioning of iron or wood, is merely a process of transformation. They failed to grasp the truth which Lavoisier was to demonstrate so clearly, namely, that in nature nothing is ever created and nothing lost. A grain of corn sown in a field obtains the materials for the ear from the soil and atmosphere, transmuting them to suit its own purpose, just as the baker, out of that same corn, combined with water, salt, and yeast, will make

bread. But they were sufficiently clear-sighted to see that all natural products, including even corn, were influenced by the varying condition of the markets, and that if prices fell very low the net product disappeared altogether. In view of such facts can it still be said that the

<sup>2</sup> On this point see M. Pervinquière, Contribution à l'Étude de la Productiveté dans la Physiografia. The indifference of the Physiograts to mines shows a want of scientific spirit, for even from their own point of view the question was one of prime importance. No commodity could be produced without raw material, and wealth is simply a collection of commodities. Raw material is furnished by the mine as well as by the soil. In the history of mankind iron has played as important a part as corn. Agriculture itself is an extractive industry, where the miner—the agriculturist—uses plants instead of drills, and in both cases the product is exhaustable.

<sup>\*</sup> Le Trosne, p. 942.

<sup>&</sup>quot;Land ower its fertility to the might of the Creator, and out of His blessing flow its inexhaustible riches. This power is already there, and man simply makes use of it." (Bid., chapter i, sec. ii.)

especia from the products of industry?

The Physiocrats possibly thought that the bos pris—1.e., the price thick yielded a surplus over and above cost of production—was a ormal effect of the "natural order.' Whitnever the price fell to the voil of the cost of production it was a sure sign that the 'order' had seen destroyed. Under these circumstances there was nothing remarkbe in the disappearance of the net product. This is doubless the ignificance of Quenay's enignatic saying: "Abundance and cheapess are not wealth, scarcity and dearness are miscry, abundance and learness are opulence." If

THE NET PRODUCT

of the product and its cost of production, then it is not more common n agriculture than in other modes of production. Nor does it extend over a longer period in the one case than in the other, provided competition be operative in both cases; on the contrary, it will become manifact in the one case as easily as in the other, epecially if there be any scarcity. It remains to be seen then whether monopoly values are more prevalent in agricultural production than in industrial. In a very general way, seeing that there is only a limited quantity of land, we may answer in the affirmative, and admit a certain degree of validity in the Physiocratic theory. But the establishment of protective rights and the occurrence of agricultural crises clearly prove that competition also has some influence upon the amount of that revenue.

The net product was just an illusion. The essence of production is not the creation of matter, but simply the accretion of value. But it is not difficult to appreciate the nature of the illusion if we recall the intermetance, and try to visualure the kind of society with which the Physiocrats were acquainted. One section of the spormupity, consisting solety, of nobibility, and clergy, lived upon the prent, which the land yielded. Their luxurious lives would have been impossible if the earth did not yield something over and above the amount consumed by the peasant. It is curious that the Physiocrats, while they regarded the artisans as nothing better than servants who depended for their very existence upon the agriculturists, failed to recognize the equally complete dependence of the worthless proprietor upon his tenants. If there had existed instead a class of business men living in case and buxury, and drawing their dividends, it is quite possible that the Physiocrats would have concluded that there was a net product in industrial enterorise.

<sup>1</sup> Quesnay, p. 325.

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So deeply rooted was this idea of nature, or God operating through nature, as the only source of value that we find traces of it even in Adam Smith. Not until we come to Ricardo do we have a definite contradiction of it. With Ricardo, rent, the income derived from land, instead of being regarded as a blessing of nature—the Alma Parens which was bound to grow as the 'natural order' extended its sway. is simply looked upon as the inevitable result of the limited extent and growing sterility of the land. No longer is it a free gift of God to men, but a pre-imposed tax which the consumer has to pay the proprietor. No longer is it the net product; henceforth it is known as rent.

As to the epithet 'sterile,' which was applied to every kind of work other than agriculture, we shall find that it has been superseded, and that the attribute 'productive' has been successively applied to every class of work-first to industry, then to commerce, and finally to the liberal professions. Even if it were true that industrial undertakings only yield the equivalent of the value consumed, that is not enough to justify the epithet 'sterile,' unless, as Adam Smith wittily remarks, we are by analogy to consider every marriage sterile which does not result in the birth of more than two children. To invoke the distinction between addition and multiplication is useless, because arithmetic teaches us that multiplication is simply an abridged method of adding-It seems very curious that that kind of wealth which appeared to the Physiocrats to be the most legitimate and the most superior kind

should be just the one that owed nothing to labour, and which later on, under the name of rent, seems the most difficult to justify. But we must not conclude that the Physiocratic theory of the net

product possessed no scientific value.

It was a challenge to the economic doctrines of the time, especially Mercantilism. The Mercantilists thought that the only way to increase wealth was to exploit neighbours and colonists, but they failed to see that commerce and agriculture afforded equally satisfactory methods." Nor must we forget the Physiocrats' influence upon practical politics. Sully, the French minister, betrays evidence of their influence when he remarks that the only two sources of national wealth are land and labour. Let us also remember that, despite some elaring mistakes, agriculture has never lost the pre-eminence which they gave it, and that the recent revival of agricultural Protection is directly traceable to their influence. They were always staunch Free Traders themselves, but we can hardly blame them for not being sufficiently sanguine to expect such wholehearted acceptance of their views as to anticipate some of the more curious developments of their doctrines. It is almost certain that if they were living to-day they would not be found supporting the Protionist movement. At least this is the opinion of M. Oncken, the promist, who has made the most thorough study of their ideas.1 Although the Physiocratic distinction between agriculture and dustry was largely imaginary, it is nevertheless true that agriculture es possess certain special features, such as the power of engendering

e forces of life, whether vegetable or animal. This mysterious force. hich under the term 'nature' was only very dimly understood by the hysiocrats, and still is too often confused with the physico-chemical oces, does really possess some characteristics which help us to ifferentiate between agriculture and industry. At some moments ericulture seems inferior because its returns are limited by the exiencies of time and place; but more often superior because agriculture lone can produce the necessaries of life. This is no insignificant fact: ut we are trenching on the difficult problems connected with the ame of Malthus. 12

III: THE CIRCULATION OF WEALTH - Juttery of

Nistinb The Physiograts were the first to attempt a synthesis of distribution. They were anxious to know-and it was surely a praiseworthy ambition -how wealth passed from one class in society to another, why it always followed the same routes, whose meanderings they were successful in unravelling, and how this continual circulation, as Turgot said. Constituted the very life of the body politic, just as the circulation of the blood did of the physical."

A scholar like Quesnay, the author of the work on animal economy? and a diligent student of Harvey's new discovery, was precisely the man to carry the biological idea over into the realm of sociology. He made use of the idea in his Tableau économique, which is simply a graphic representation of the way in which the circulation of wealth takes place. The appearance of this table caused an enthusiasm among his contemporaries that is almost incredible, although Professor Hector

1 Geschichte der National Ockonomie, Part I. Die Zeit vor Adem Smith. M. Méline's book Le Retote à la Terre, though Protectionist in tone, is wholly imbued

with the Physiograpic spirit. Essai physique sur l'Économie animale (1747).

a "There have been since the world began three great inventions which have principally given stability to political societies, independent of many other inventions which have enriched and advanced them. The first is the invention of writing, which alone gives human nature the power of transmissing without alteration its laws, its contracts, its annals, and its discoveries. The second is the invention of money, which binds together all the relations between civilized societies. The third is the Economical Table, the result of the other two, which completes them both by perfecting their

object; the great discovery of our age, but of which our posterity will reap the benefit." (Murabrau, quoted in Wealth of Nations, Book IV, chapter ix ) Baudrau is no less Denis declares that he is almost ready to share in Mirabeau's admiration.<sup>1</sup>

We know by this time that this circulation is much more complicated than the Physiocrats believed, but it is still worth while to giv an outline of their conception.

Juesnay distinguishes three social classes:

1. A productive class consisting entirely of agriculturists—perhap also of fishermen and miners

 A proprietary class, including not only landed proprietors, but also any who have the slightest title to sovereignty of any kind—a survival of feudalism, where the two ideas of sovereignty and property are always linked together.

3. A sterile class, consisting of merchants and manufacturers, together with domestic servants and members of the liberal professions.

The first class, being the only productive class, must supply all that flow of wealth whose course we are now to follow. Let us suppose, then—the figures are Quesnay's and seem sufficiently near the fact—that the value of the total wealth produced equals 5 milliard france.

enthusiantic "These figures," he writes, "are horrowed with the consent and upon the advoce of the great master whose graining first peat the sublime does of this Tellion. The Tellion gives us such a clear idea of the premier position of the science that all Europe is bound to accept its teaching, to the teremal glory of the invention and the everlasting happiness of mankind," (P. 867). The first edition of the Tellions of which only a few corors were printed, it mixing

altogether, but a proof of that edition, corrected by Quemay himself, was recently discovered in the Bubliothegue Nationale in Paris by Professor Straba Basser, of the University of Bâle. A facinitie was published by the British Economic Association in 1894. [A facinitie is printed also in Alexander Gray's Development of Enomities Dectrins, 1931.]

4 "The discovery of the circulation of wealth in economic societies occupies in the

"The discovery of the circulation of wealth in economic societies occupies in the history of the science the same position as in occupied by the discovery of the circulation of the blood in the history of biology."

one of the following interesting the control of the control of the control of the control of an object of the control of a major of control of the control of a major of control of the control of the had been living now be would almost certainly have used the graphic method, which would have umplifted mattern very considerably, and it is somewhat strange that no ore has attempted this with his Tablass. Heretor Donis has compared his tables with those of the anatomist and traceed a parallel between the finds of the consonial would and the pleasu of veins and arrivers in the human body. Quenny's erglanation of the pleasure of the statement of the control of the

Of this 5 milliards 2 milliards are necessary for the upkeep of the members of this class and its oxen during harvest and sowing. This portion does not circulate. It simply remains where it was produced. The produce representing the remaining 3 milliards is sold. But agricultural producet alone do not suffice for the upkeep of Class 1. Manufactured goods, clothes, and boots also are required, and these are got from the industrial classes, for which a milliard france is given. There remain just 2 milliards, which go to the landowners and the Government in rents and taxes. By and by we shall see how they stremeted to usuffe this no accept narrasities.

Let us pass on to consider the propertied class. It manages to live upon the a milliards which it receives by way of rents, and it lives well. Its food it must obtain from the agricultural class (unless, of course, the rents are paid in kind), and for this it possibly pays a milliard france. It also requires manufactured goods, which it must get from the sterile class, and for which it pays another milliard francs. This compoletes their account.

As to the sterile class, it produces nothing, and so, unlike the proceding class, it can only get its necessaries second-hand from the productive class. These may be got in two ways: a milliard from the agricultural class in payment for manufactured goods and another milliard from the landed proprietors. The latter milliard, being one of the two which the landed proprietors got from the agriculturists, has in this way described the complete circle.

The 2 milliards obtained as salaries by the sterile class are employed in buying the necessaries of life and the raw material of industry. And since it is only the productive class that can procure these necestaries and raw materials, this 2 milliards passes into the hands of the agriculturists. The 2 milliards, in short, return to their starting-point Adding the milliard already paid by the landed proprietors to the 2 milliards worth of products unsold, the total of 5 milliards is replaced in the hands of the productive class, and so the process goes on indefinitely.<sup>3</sup>

This resume gives but a very imperfect idea of the vast complexities and difficulties involved in tracing the growth of revenues—an evolu-

Thurse, although he is not speaking of the Tabless used in this case, sums a toy almitably in the Dalowing: "What the labouring refrom the Inadia indiction to what is afficient to supply their own needs constitutes the only wager fand [note the phrase] which all the other members of society and new you is return for their labour. The other members of society and new you had not not refront for their labour. The other members of society, when they buy the commodules which the labourer be produced, imply give hum the hare equivalent of what it has cost the labourer to produce them." (Vol. 1, p. 10.) For a more detailed account see Baudeau, Expliration for Tablezs Remember.

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tion which the Physicerats followed with the enthusiasm of children They imagined that it was all very real. The redeservery of the millions intoxicated them, but, like many of the mathematical econo mists of to-day, they forgot that at the end of their calculations the only had what they had assumed at the beginning. It is very eviden that the table proves nothing as to the essential point in their system namely, whether there really exist a productive and a sterile class.

The most interesting thing in the Physiocratic scheme of distribution is not the particular demonstration which they gave of it, but the emphasis which they laid upon the fact of the circulation of wealth taking place in accordance with certain laws, and the way in which the revenue of each class was determined by this circulation. )

The singular position which the proprietors hold in this tripartite division of society is one of the most curious features of the system.

Anyone examining the table in a non-Physiocratic fashion, but simply viewing it in the modern spirit, must at once feel surprised and disappointed to find that the class which enjoys two-fifths of the national revenue does nothing in return for it. We should not have been surprised if such glaring parasitism had given to the work of the Physiocrats a distinctly socialistic tone. But they were quite impervious to all such ideas. They never appreciated the weakness of the landowners' position, and they always treated them with the greatest reverence. The epithet 'sterile' is applied, not to them, but to manufacturers and artisans! Property is the foundation-stone of the 'natural order.' The proprietors have been entrusted with the task of supplying the staff of life, and are endued with a kind of priestly sacredness. It is from their hands that all of us receive the elements of nutrition. 'It' is a 'divine' institution—the word is there.3 Such idolatry needs some explanation.

One might have expected-even from their own point of viewthat the premier position would have been given to the class which they termed productive, i.e., to the cultivators of the soil, who were mostly farmers and métayers. The land was not of their making, it is

give the to it, are not mere hypomeses. A more received in a faithfully copied from nature." (Quesnay, p. 6o.)

They imagined that it was actually so. "On the one hand, we see the productive class living on a series of payments, which are given in return for its labour, and always

<sup>&</sup>quot;This movement of commerce from one class to another, and the conditions which give rise to it, are not mere hypotheses. A little reflexion will show that they are

bearing a close relation to the outlay upon its upkeep. On the other, there is nothing but consumption and annuhilation of goods, but no production." (Ibid.) "It is impossible not to recognize the right of property as a divine institution, for it has been ordained that this should be the indirect means of perpetuating the work of creation," (La Rivière, p. 618) "The order of society presupposes the existence of a third class in society, namely, the proprietors who make preparation for the work of cultivation and who dispense the net product." (Quesnay, p. 186.)

true. They had simply received it from the proprietors. This latter class takes precedence because God has willed that it should be the first dispenser of all wealth.1

There is no need to insist on this strange aberration which led them to look for the creator of the land and its products, not amid the cultivators of the soil, but among the idlers.\* Such was the logical conclusion of their argument. We must also remember that the Physiograts failed to realize the inherent dignity of all true labour

simply because it was not the creator of wealth. (This applied both to the agricultural labourer and the industrial worker, and though the former alone was considered productive it was because he was working in co-operation with nature.) It was nature that produced the wealth, and not the worker.

Something must also be attributed to their environment. Knowing only feudal society, with its economic and political activities governed and directed by idle proprietors, they suffered from an illusion as to the necessity for landed property similar to that which led Aristotle to defend the institution of slavery.3

Although they failed to foresee the criticisms that would be levelled

against the institution of private-property, they were very assiduousespecially the Abbé Baudeau-in seeking an explanation of its origin and a justification of its existence. The reasons which they advanced are more worthy of quotation than almost any argument that has since been employed by conservative economists.

The most solid argument, in their opinion-at least the one that was most frequently used-is that these proprietors are either the men who cleared and drained the land or else their rightful descendants They have incurred or they are incurring expenditure in clearing the land, enclosing it, and building upon it-what the Physiograts call the avances

foncières.4 They never get their revenues through some one else as "Immediately below the landed proprietors come the productive classes, whose labour is the only source of their income, but who cannot exercise that labour unless

the landford has already incurred some outlay in the way of ground expenses." (Baudeau, Philosophis économique, p. 691.) The Physiocrats never mention the agricultural workers, and one might almost

think that there were none. Their solicatude for the agriculturists does not extend beyond the farmers and mitogers. M. Weulersse has referred to their system, not without some justification, as an essentially capitalistic one.

2"We may call them the nobility, as well as the propertied class. Nobility in the tense, far from being illusory, is a very useful institution in the history of civilized

nations." (Baudeau, p. 670)

"In the third line-they generally occupy the first rank-we have the landed proprietors who prepare the soil, build houses, make plantations and enclosures at their own expense, or who pay for those outlays by buying property already developed.
This revenue, they might argue, belongs to us because of the wisdom and forethought and the Reign of Terror. When all respect for human life was quite lost there still remained this respect for property.

The defence of private property was already well-nigh complete. But if they were strong in their defence of the institution they did not fail to impose upon it some onerous duties-which counterbalanced its eminent dignity. Of course, every proprietor should always be guided by reason and be mannerly in his behaviour, and he should never allow mere authority to become the rule of life.2 Their duties are as follows:

-r. They must continue without fail to bring lands into cultivation -i.e., they must continue the avances foncières.3

2. They must dispose of the wealth which the nation has produced in such a way as to further the general interest; this is their task as the stewards of society.4

3. They must aim during their lessure at giving to society all those gratuitous services which they can render, and which society so sorely needs.

4. They must bear the whole burden of taxation.

5. Above all they must protect their tenants, the agriculturists, and be very careful not to demand more than the net product. The Physiocrats never go the length of advising them to give to their tenants a portion of the net product, but they impress upon them the importance of giving them the equivalent of their annual expenditure and of dealing liberally with them. It does not seem much, but it must have been something in those days. "I say it boldly," writes Baudeau,

cursed be every proprietor, every sovereign and emperor that puts all the burden upon the peasant, and the land, which gives all of us our sustenance. Show them that the lot of the worthy individuals who employ their own funds or who depend upon those of

others is to none of us a matter of complete indifference, that whoever hurts or degrades, attacks or robs them is the cruellest enemy

It is necessary to make a note here of one of the many differences between Turgot and the Physiocrats. Turgot seems much less firmly convinced of the social utility of landed property and of the legitimacy of the right of property. He thinks that its origin is simply due to occupation. This weakens the Physiocratic case very considerably. "The earth is peopled and cultivation extends. The best lands will in time all be occupied. For the last comen there will only be the unfertile lands rejected by the first. In the end every piece of land will have its owner, and those who possess none will have no other resource than to exchange the labour of their arm for the superfluous corn of the proposetor" (Vol. I, p. 12.) We are here not very far from

the Ruantian theory. 8 Baudeau, Philosophie Kommigue, p. 378.

13 "A proprietor who keeps up the stances forcines without fail is performing the

noblest service that anyone can perform on this earth," (Baudeau.)

""The rich have the control of the fund from which the workers are paid, but they are duing a great sojuntee if they appropriate it." (Quesnay, Vol. I, p. 193)

TRADE

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of society, and that he who ennobles them, furthers their well-being, comfort, or leisure increases their output of wealth, which after all is the one source of income for every class in society.<sup>1</sup>

Such generous words, which were some too common at the time, release the Physiocerats from the taunt of showing too great a favour to the proprietors. In return for such privileges as they gave them they demanded an amount of social service far beyond anything that was customary at the time,  $_{\rm c} \lambda_{\rm p} \lambda_{\rm p} 1^{\rm a} \lambda_{\rm p}^{\rm c}$ 

11;

So far we have considered only the Physiocratic theory. But the Physiocratic influence can be much more clearly traced if we turn to applied economics and examine their treatment of such questions as the regulation of industry, the functions of the State, and the problems of travition?

#### I: TRADE

All exchange, the Physiocrats thought, avas unproductive, for by definition it implies a transfer of equal values. If each party only receives the exact equivalent of what it gives there is no wealth produced. It may happen, however, that the parties to the exchange are of unequal strength, and the one may grow rich at the expense of the other. In princ a bottle of wine in exchange for a loaf of bread there

<sup>1</sup> Pp 835, 833 And Mercier de la Rivière writes in terms not less severe: "He e responsible under pain of annihilation for the products of society, and no part of the produce which goes to support the cultivator abould witungly be employed other wise." The history of Ireland is an interesting commentary on these words.

work." The hastory of Irritand as an adverted of commentary on these words when the contract of the contract o

tion of corporations—so not included in their list, especially since the credit for the downfull of the includions in smally given to the Physiczers. Their writing contain only very occasional reference to this topic, because industrial labour. They did, however, present against the rule that condocal the right to energe in tude to those who had received an express privilege from the Crown. They codiffered that "in a nhorest soul this was the most choose means which the aprint deministration and raysking ever invented." (Bandeau, in £866m46a, 1760, Vol. W establishing history for all, a, which good reason, without of DPIshorettis full reestablishing history for all, a, which good reason, strabuled to Physicartic influence

\*"Exchange is a contract of equality, equal value being given in exchange for equal value. Consequently it is not a means of increasing wealth, for one gives

The 'natural order' also implied that each one would be free to buy or sell wherever he chose, within or without the country. I recognized no frontiers, he only through 'liberty' could the 'gree price' be secured. The 'good price' meant the highest price and not the loverst, dearth and not cheapness 24 ree competition with foreign merchants can alone secure the best possible price, and only the highest price will enable in to increase our stock of wealth and to maintain our population by agriculture "1 This is the language of agriculturists rather than of Fire Traders. It is the natural result of thinking about agricultural problems, and especially about the nucrtion of raising corn; and since Free Trade at this time gave rise to no fears on the score of importation, free exchange meant free exportation. Oncken points out that the commercial regime which the Physiograps advocated was identical with that in operation in England about this time, where in case of over-abundance exportation was encouraged in order to keep up the price, and in case of dearth importation was permitted in order to ensure a steady supply and to prevent the price from rising too much.

In a word, Free Trade meant for the Physiocrats the total abolition of all those measures which found so much favour with the Mercantilists, and which aimed at preventing exportation to places outside

Let entire freedom of commerce be maintained, for the surest, the exactest, the most profitable regulator both of home and of foreign trade for the nation as well as for the State is perfect freedom of competition." (Quesnay's Manner, XXV.) "We must tell them that free trade is in accordance with the order and with the demands of justice, and everything that conforms to the order bears its own reward." (Le Trosne, p. 486.)

2 Dialogues, p. 153. The dearth of plenty, as they paradoxically put it, stimulates production, and Boisguillebert, in an equal paradox, remarks that "Low price gives rise to want." In the Manner, p. 98, Quesnay contents himself by saving that free trade in corn makes the price more equal "It is clear," he adds, "that leaving aside the question of foreign debt, equal prices will increase the revenue yielded by the land, which will again result in extended cultivation, which will provide a guarantee

against those dearths that decimate population." Mercier de la Rivière writes in a similar vein. "A good constant average price

ensures abundance, but without freedom we have neither a good price nor plenty." (P. 570.)

Turgot in his Lettres sur le Commerce des Grains develops the argument at great length and tries to give a mathematical demonstration of st. There was no need for this. It

is a commonplace of psychology that a steady price of 20 is preferable to alternative prices of 35 and 5 francs respectively, although the average in both cases is the same It is worth noting that the nature of American competition was clearly foreseen by Quesnay-one of the most remarkable instances of scientific prevision on record.

In his article on corn in the Encyclopidie he says that he views the fertility of the American colonies with apprehension and dreads the growth of agriculture in the New World, but the fear is provisionally dismissed because the corn is inferior in quality to that of France and is damaged in transit. (See our remarks concerning the

Physiocratic connexion with modern Protectionist theories.)

the country and checking the growth of free intercourse within it.1 Narrow as their conception of Free Trade at first was, it was not long in growing out of the straitened circumstances which gave it birth, and it developed gradually into the Free Trade doctrine at we know it, which Walras expressed as follows: CFire competition secures for every one the maximum final utility, or, what comes to the same thing, gives the maximum pathifaction." We no longer admit that international trade is a mere fit eller. But all the arguments which have been used in its defence on the Free Trade side " were first formulated by the Physiocrats. We shall refer to a few of

them. The fallacy lurking behind the 'balance of trade' theory is exposed) with great neatness by Mercier de la Rivière. "I will drown the clamour of all your blind and stupid policies. Suppose that I gave you' all the money which circulates among the nations with whom you ... trade. Imagine it all in your possession. What would you do with it?" He goes on to show how not a single foreign country will any longer be able to buy, and consequently all exportation will cease. . .

The result of this excessive dearness will be that buying from foreign ; countries will be resorted to, and this will result in the exportation of . 11. metallic currency, which will soon readjust matters.9 The contention that import duties are paid by the foreigner is also

refuted. Nothing will be sold by the foreigner at a lower price than that which other nations would be willing to give him. An import duty on such goods will increase the real price, which the foreigner will demand, and this import duty will be paid by those who buy the goods.

There is also a refutation of the policy known as reciprocity.

12 Ul must not be forgotten that the Protectionist system asded the development of industry and retarded that of agriculture by its policy of encouraging the exportation of manufactured products and its restrictions on the exportation of agricultural products and raw materials with a view to securing cheap labour and a plentiful supply of raw materials for the manufacturing industries. The Protectionists were not concerned to prevent the exportation of corn. Both Colbertism and Mercantilism sacrificed the cultivator by preventing the exportation of corn and by allowing of its importation, while doing the exact opposite for manufactured products.

"Upon final analysis do you find that you have gained anything by your policy of always selling to foreigners without ever buying from them? Have you gained any money by the process? But you cannot retain it. It has passed through your hands without being of the least use. The more it increases the more does its value diminish, while the value of other things increases proportionally." (Mercier de la Rivière,

pp. 580-58; 

pp. 580-58; 

Turgot, (Euro, Vol. 1, p. 18). "If you succeed in keeping back foreign merchants by means of your protective tariffs they will not bring you those goods which you need, by means of your protective tariffs they will not bring you those goods which you need. thus causing those impositions which were designed for others to retaliate upon your own head." (Quesnay, Dieloguer)

50 A nation levies an import duty upon the goods of another nation. but it forgets that in trying to injure the selling nation it is really checking the possible consumption of its own goods. This indirect effect, of course, is inevitable, but can nothing be done to remedy this by means of reprisals? England levies a heavy duty on French wines, thereby reducing its debit account with France very considerably, but more French wine will not be bought if a tax is also placed upon the goods which England exports to France. Do you think that the prejudice which England has taken against France

We have multiplied instances, for during the whole of the hundred years which have since elapsed has anyone deduced better arguments?

can be remedied in this way?

These theories immediately received legal sanction in the edicts of 1763 and 1766 establishing free trade in corn, first within the country and then without, but some very serious restrictions were still retained. Unfortunately Nature proved very ungrateful to her friends. For four or five years she ran riot with a series of bad harvests, for which, as we may well imagine, the Physiocratic regime and its inspirers were held responsible. Despite the protests of the Physiocrats, this liberal Act was repealed in 1770. It was re-established by Turgot in 1774, and again repealed by Necker in 1777-a variety of fortune that betokens a fickleness of public opinion.

This new piece of legislation, and, indeed, the whole Physiogratic theory, was subjected to severe criticism by an abbot of the name of Galiani. Galiani was a Neapolitan monsioner residing at the French court. At the age of twenty-one he had written a remarkable work in Italian dealing with money, and in 1770, written in splendid French, appeared his Dialogues sur le Commerce des Blés. It was an immediate success, and it won the unqualified approval of Voltaire, who was possibly attracted more by the style than by the profundity of thought. Galiani was not exactly opposed to laissez-faire. "Liberty," he wrote, "stands in no need of defence so long as it is at all possible. Whenever we can we ought to be on the side of liberty." But he is opposed to general systems and against complete self-surrender into the hands of Nature. "Nature," says he, "is too vast to be concerned about our petty trifles."2 He shares the realistic or historical views of the writers of to-day, and thinks that before applying the principles of political economy some account should be taken of time, place, and circumstances. "The state of which the Physiocrats speak-what is it? Where is it to be found."

1 Ibid . p. 237.

Duelogues, pp. 254, 274. \* Had, p. 22. He proposed a highly complicated system imposing moderate duties both upon the importation and exportation of corn-s 5 per cent, ad selorm duty in the one case and a 10 per cent, in the other,

Along with Galiani we must mention the great financier Necker, who in a bulky volume entitled La Ligislation et le commerce des grains (1775) advocates opportunistic views almost identical in character with those of Galiani, and who, as Minister of State (1776-81 and

1788-00), put an end to free trade in corn.

In monetary matters, especially on the question of interest, the Physiocrats were willing to recognize an exception to their principle of non-intervention. Mirabeau thought that whenever a real increase of wealth resulted from the use of capital, as in agriculture, the payment of interest was only just. It was simply a sign or symbol of the net product. But in trade matters he thought it best to limit if not to prohibit it altogether. It often proved very harmful, and frequently was nothing better than a tax levied by order of "the corrosive landowners." Ouesnay could not justify it except in those cases where it vielded a net product, but he was content simply to suggest a limitation of it. The Physiograph are at least logical. If canital sunk in industrial and commercial undertakings yields no income it is evident that the interest must be taken from the borrower's pocket, and they condemned it just as they condemned taxing the industrial and commercial classes.

Turgot1 is the only one of them who frankly justifies taking interest. The reason that he gives is not the usual Physiogratic argument, but rather that the owner of capital may either invest it in the land or undertake some other productive work-capital being the indispensable basis of all enterprise and that, consequently, the capital will never be given to anyone who will offer less than what might have been made out of it did the owner himself employ it. This argument implies that every undertaking is essentially a productive one, and indeed one of the traits which distinguishes Turgot from the other Physiocrats is the fact that he did not think that industry and commerce

were entirely unproductive.

### II: THE FUNCTIONS OF THE STATE

Seeing that the Physiocrats believed that human society was pervaded by the principle of 'natural order,' which required no adventitious aid from any written law, and since Nature's voice, without any artificial restraint, was sufficient guide for mankind, it might have been expected that the trend of Physiocracy would have been towards the

d'Argent (1769). ... Réflectors sur la formation des ruhesses, parsas. 59, 61, 74.

Turget was the author of a work on this subject, entitled Minsire no ke Point

negation of all legislation, of all authority—in a word, towards the subversion of the State.

It is certain that the Physiograps wished to reduce legislative activity to a minimum, and they expressed the belief-which has often been repeated since by every advocate of laustez-faire-that the most useful work any legislative body can do is to abolish useless laws. I any new laws are required they ought simply to be copies of the unwritten laws of Nature. Neither men nor Governments can make laws, for they have not the necessary ability. Every law should be an expression of that Divine wisdom which rules the universe. Hence the true title of lawgiver, not lawmaker.2 It is in this connexion that we meet with those anecdotes-some of more than doubtful authenticity, it is truethat have gathered round their names. Of these the best-known is. that which tells of Mercier de la Rivière's visit to St Petersburg, and his laconic reply to Catherine the Great. He had been invited there to advise the Empress about a new constitution for the country. After dilating upon the great difficulties of the undertaking and the responsibilities it involved he gave it as his opinion that the best way of achieving her object was just to let things take their course. Where-

upon the Empress promptly wished him good-bye.

"But it would be a great mistake to think of the Physiocrats as
anarchists. What they wanted to see was the minimum of legislation
with a maximum of authority. The two things are by no means incompatible. The liberal policy of limitation and control would have
found scant favour with them. Their ideal was neither democratic
self-government, as we have it in the Greek republic, nor a parliamentary regime such as we find in England. Both were detested.

√1 "Remove all useless, unjust, contradictory, and absird laws, and there will not be much legislative machinery left after that." (Baudeau, p. 817) "It is not a question of procuring immease neches, but simply a question of letting people abore, a problem that hardly requires a momen(a thought." So wrote Bouguilebert sixty wears before.

<sup>8</sup> Quennay, Maximer, Vol. I, p. 390. Mercier de la Rivière writes in much the same style: "The positive laws that are already in existence are meetly expressions of such natural rights." (Vol. II, p. 61) It sounds like a preamble to the Declaration of Rights of Man.

3. The Physiocrats had the most absolute contempt for political liberty." (Earnein, La Scarce politique des Physiocrats, address at the opening session of the Congress of Learned Societies, Paris, 1006.)

"The Greek republics never became acquainted with the laws of the order. Those resides, usurping, syransical tribes never ceased to detect the plains with human blood, to cover with runs and to reduce to waste the most fertile and the best situated

soil in the then known work!" (Bausleau, p. 800.)
"It is existent that a democratic sovereign—is, the whole people—cannot justle exercise its authority, and must be content to name representatives. These representatives are merely agents, where functions are naturally transitiony, and such temporary

On the other hand, great respect was shown for the social hierarchy, and they were strong in their condemnation of every doctrine that mined as attacking either the throne or the nobility. What they's delired was to have sovereign authority in the guise of a hereditary, monarchy, In short, what they really wanted—and they were not frieliened by the name—was despositing.

The sovereign authority should be one, and supreme above all individual or private enterprise. The object of sovereignty is to secure obedience, to defend every just right, on the one hand, and to secure personal security on the other. A government that is based upon the idea of a balance of power is useless.

This should help us to realize the distance separating the Physicians from the Montesquieuian idea of the distribution of the sovereign authority, and from the other idea of local or regional control. There is no mention of representation as a corollary of taxation. This form of guarantee, which marks the beginnings of parliamentary government, could have no real significance for the Physicorats. Taxation was just a right inherent in the conception of proprietary sovereignty, a territorial revenue, which was in no way dependent upon the people's will.

It seems strange that such should be the opinion of a future President of the Constituent Assembly. How can we explain this apparent contradiction and such love of despotism among the apostles of laittet-faire?

Despotism, in the eyes of the Physiocrats, had a peculiar significance of its own. It was the work of freedom, not of bondage. It did not signify the rule of the benevolent despot, prepared to make men happy,

agenta cannot always be in complete harmony with every unterest within the nation. This is not the kind of administration concerptained by the Bhysidicrats. "The sovereignty of the natural order is notitier elective nor aristocrate "Only in the case of breedeavy monardy can all interests, both persons and individual, present and future, be clearly linked with those of the nation, by their coparimenhap in all the net products of the territory submitted to their care." [Dipport, Vol. I, pp. 399-560]. This sounds very much like a eulogy of the House of Hohemzollerin, delivered by William II.

Very curious also are Dupont's criticisms of the parliamentary regune. In his letter to J. B. Say (p. 414) he notes "its tendency to corruption and canker," which had not then manifested itself in the United States of America. These letters, though very interesting, hardly belong to a history of economic doctrines.

<sup>1</sup>"It is only when the people are ingenuous that we find real despots, because then the sovereign can do whatever he wills." (Dupont, p. 364)

Quenay, Mariner, I. The Physicerats were in favour of a national assembly, but would give it no legislative power. It was to be just a council of State concerned chelly with public works and with the apportionment of the burden of taxation. See M. Earnier's minoire on the proposed National Assembly of the Physicerats (Compter makes of the Assembly of the Physicerats (Compter makes of Indian's assembly as the Assembly of the Physicerats (Compter makes of Indian's described Physicerats (Compter makes of Indian's Assembly (Compter Marine) (Compter makes of Indian's Assembly (Compter Marine) (Compter makes of Indian's Assembly (Compter Marine) (Compter Marine) (Compter makes of Indian's Assembly (Compter Marine) (Compter makes of Indian's Assembly (Compter Marine) (Compter makes) (Compter

even against their own will. It was just the sovereignty of the 'natural order'1-nothing more. Every reasonable person felt himself bound to obey it, and realized that only through such obedience could the truth be possibly known.

It is quite different from the despotism of the ancient maxim. Sixt principi placuit legis habet pigorem.2 They would never have subscribed to the doctrine that the king's word is law, but they were equally energetic in rejecting the claim of the popular will.3 They are as far from modern democracy as they are from monarchical absolutism.

This despotism was incarnate in the person of the sovereign or king. But he is simply an organ for the transmission of those higher laws which are given to him. They would compare him with the leader of an orchestra, his sceptre being the baton that keeps time. The conductor's despotism is greater than the Tsar's, for every musician has to obey the movement of the hand, and that immediately. But this is not tyranny, and whoever strikes a false note in a spirit of revenge is not simply a revolter, but also an idiot.

Sovereignty appealed to the Physiograps in the guise of hereditary monarchy, because of its associations with property under the feudal regime, and since hereditary rights were connected with landed property so must royalty be.) The sovereign who best represents the Physiocratic ideal is perhaps the Emperor of China.4 As the Son of Heaven he represents the 'natural order,' which is also the 'divine order. As an agricultural monarch he solemnly puts his hand to the plough once a year. His people really govern themselves; that is he

rules them according to custom and the practice of sacred rites.5 "The personal despotism will only be the legal despotism of an obvious essential order. In legal despotism the obviousness of a law demands obedience ! the monarch enjoins it. Euclid is a veritable despot, and the geometrical truths he enunciates are really despotic laws. The legal and personal despotism of the lator are one and the same. Together they are irresutable." (Mercier de la Ri pp. 460-47t.) This despotism is really not unlike that of Comte, who remarks there is no question of liberty of conscience in geometry.

\*"On the contrary," says Quesnay in a letter to Mirabeau, "this despotism sufficient guarantee against the abuse of power."

"That is an abominable absurdity," says Baudeau, "for on this reckoning a

majority vote would be sufficient to justify parricide."

Is it necessary to point out that this is exactly the reverse of the view held by it ventionists and socialists of these later times, who think that the mission of the

is to redress the grievances caused by natural laws? 16 This single supreme will which exercises supreme power is not, strictly speal a human will at all. It is just the voice of nature—the will of God. The Chinese the only people whose philosophy seems to have got hold of this supreme truth, they regard their emperor as the eldest son of God." (Baudeau, p. 798)

Some writers for example, Pantaleoni in his introduction to Arthur Labric \* Detries assessible & Quemey seem to think that the Physiocratic crime ' fatal to fourful society, but as the socialistic criticism of the present tim

In practice there will be nothing of great importance for the despot o do. "As kings and governors you will find how easy it is to exercise our sacred functions, which simply consist in not interfering with the rood that is already being done, and in punishing those few persons who occasionally attack private property." In short, the preservation of the 'natural order' and the defending of its basis—private property against the attacks of the ignorant and the sacrilegious is the first and most important duty of the sovereign. "No order of any kind is

possible in society unless the right of possession is guaranteed to the members of that society by the force of a sovereign authority." Instruction is the second duty upon which the Physiocrats lay 2. special stress: "Universal education," says Baudeau, "is the first and only social tie." Quesnay is specially anxious for instruction on the 'natural order,' and the means of becoming acquainted with it Fur-

ther, the only guarantee against personal despotism lies in well-diffused instruction and an educated public opinion. If public opinion, as Ouesnay said, is to lead, it should be enlightened.

Public works are also mentioned. A wise landlord has good roads 5

on his property, for good roads and canals improve it. These represent a species of avances foncières, similar to those undertaken by proprietors This is by no means all.3 There are a number of duties recognized

as belonging to the State, of which every economist of the Liberal school up to Bastiat and M. de Molinari approves. We will add one other trait. Like the Liberal school, the Physiocrats were whole-hearted 'internationalists.' In this respect they

differ from their prototypes, the Chinese. They believed that all class distinctions and all international barriers ought to be removed in the interest of political development, as well as in that of scientific study. The peace advocates of to-day would do well to make the acquaintance of their illustrious predecessors.

undermining the bourgeois society. Politically this is true enough, for the Physiograts advocated the establishment of a single supreme monarch with undivided authority Economically it is incorrect, for their conception even of sovereignty and taxation is impregnated with feudal ideas.

Dupont, Discours en têle des Œures de Osesnas, Vol. I. p. 95.

Turgot, who is less inclined to favour agriculture, thinks that certain royal privileges must be granted before manufacturers can compete with agriculture (Eures, Vol. 1, p. 360).

<sup>4 &</sup>quot;One has come to regard the various nations as drawn up against one another in a perpetual state of war. This unfortunate prejudice is almost sacred, and is The three errors usually committed by States, and the three that led to the down-

fall of Greece, Baudeau thought, were arbstrary use of legislative authority, oppressive taxation, and aggressive patriotism. (P. 801.)

## . C. An . c. f. , . Che III: TAXATION

The bulk of the Physiocratic system is taken up with the exposition of a theory of taxation, which really forms one of the most characteristic portions of their work. Though inextricably bound up with the theory of the net product and with the conception of landed proprietorship, curiously enough it has survived the rest of their doctrine, and quite recently has been given a new lease of life.

In the table showing the distribution of the national income three participators only are mentioned-the landed proprietor, the farmer, and the artisan. But there is also a fourth-the Physiocratic sovereign, who is none other than the State itself, and who thoroughly deserves a share. This benevolent despot, whose duties we have just mentioned, cannot be very exacting, for, having little to do, his demands must be moderate. In addition to his double mission of maintaining security and giving instruction, he must also contribute towards increasing the productivity of the land by establishing public works, making roads, etc.1 Money is required for all this, and the Physiocrats argued that taxes ought to be paid liberally,2 and not grudgingly, as is too often the case under a parliamentary regime. Where is this money to come from?

The reply is obvious if we have grasped their system. The only available fund is the net product, which is the only new wealth that is really dispensable—the rest is necessarily absorbed in the repayment of the advances made for the upkeep of the agricultural and industrial classes. Were taxation to absorb a proportion of the revenues that are devoted to production it would gradually drain away t source of all wealth. So long as it only takes the surplus-the true I product, which is a mere tributary of the main stream-no harm w

be done to future production.

All this is quite clear. But if taxation is to absorb the net produ "the question arises as to who is to pay it. It is equally evident th

A to Before a harvest can be reaped not only must the cultivators incur the usa outlay upon stock, etc., and the proprietors upon clearing the land, but the pub waythority must also incur some expense, which might be designated accords properties.

(Baudeau, p. 758.) \* "The Government ought to be less concerned with the task of saving than wi the duty of spending upon those operations that are necessary for the prosperity the realm. This beavy expenditure will cease when the country has become wealth)

(Ouesnay, Mariner, XXVL) "It is a narrow and churlish English idea which decrees that an annual sum shou be annually voted to the Government, and that Parliament should reserve to its the right of refusing this tax. Such a procedure is a travesty of democracy." (Dupor in a letter to J. B. Say.)

c can only be taken from those who already possess it, namely, from the landed proprietors, who must bear the whole burden of taxation. tut now we were annazed at the privileges which the Physiocrats so ight-heartedly granted them: this is the ransoon, and it is no light now. The next problem is how to assess this tax.

The Physiocrats were extremely Iofh to rob the gentry of their. 
The Physiocrats were pages in their writings are devoted to a sustification of their claims upon them. Not only were they willing to eave them everything that was necessary to compensate them for the outlay of explicit and labour, but also all that might be required to make the property thoroughly valuable and the position of the land-owner a most envisible one. The preference shown for the landowner is just the result of the social importance attributed to him by the Physiocrats. "If some other class were preferable," says Dupont de Nemours, "people would turn their attention to that." They would no longer spend their capital in leaving or improving the land. But if the possession of land be so desirable, is there not some danger lest everybody should become a landlord and neglect the other walks of life? The Physiocrats thought not, for, since Nature has set a limit to the amount of land in existence, there must also be a limit to the

number of landowners.

A third of the net product, or, if we accept Baudeau's figures, six-twentichs—i.-, 50 per cent.—was to be paid in taxes. Taking the net product at 2 milliard francs, which is the figure given in the Explication du tableau économique, this gives us exactly 600 million francs as the amount of the tax.<sup>2</sup>

The proprietors, who were then for the most part free from taxation, felt that this was a very considerable contribution, and that the Physicorats demanded a heavy price for the high honour which they had conferred upon them. Even to-day a tax of 30 per cent. on the gross revenue of landlords would cause some constrenation. The

<sup>&</sup>lt;sup>1</sup> "The amount of the tax as compared with the amount of the net product should be not that the position of the landed proprietor shall be the best possible and the tate of being a landowner preferable to any other state in society." (Dupont, p. 846.)

If he compare this figure with the total gross revenue of France, valued then at Smilland franca, it would represent a tax of 12 per cent, which is rather heavy for a State that was upposed to be governed by the laws of the "natural order." The proportion which the present French Budget bears to the total revenue of the country is to per cent.

The French Budget of 1781, introduced by Necker, corresponded almost exactly with the figure given by the Physiocrats, namely, 610 millions. Of course, we ought to add to that the ecclesiastical does, the seigmonal rights, and the compulsory labour of every lind, which were to dasproser under the Physiocratic resime.

Physiocrats anticipated this objection, and in reply brought forward an argument which shows that they possessed exceptionally keen economic insight. They argued that none would feel the burden. seeing that no one was really paying it. Land would now be bought at 70 per cent, of its former value, so that the 30 per cent, nominally paid by the proprietor was in reality not paid by him at all.1 Land let at £10,000 would be valued at £200,000. But with a tax of £3000 it is really only yielding £7000, and its value will be £140,000. The buyer who pays this price, despite the fact that he has paid a tax of £3000, will enjoy all the revenue to which he has any claim, for he can only lay claim to what he has paid for, and he did not pay for that portion of the revenue which is affected by the tax. It is exactly as if he had only bought seven-tenths of the land, the remaining threetenths being the State's. And if at some later time this tax should be abolished, it would merely mean making him a present of £3000 a vear-the equivalent of a lump sum of £60,000.2

The reasoning was excellent for those buying land after the tax had been leviced. It had, however, a much wider import than the Physiocrats thought, for it might be applied not merely to taxes on land, but also to taxes on capital. But this gave little consolation to those who were to have the honour of inaugurating the new regime, and the first take evidently was to convert them.<sup>3</sup>

and the last case evenently was to convert them. The sovereign's position in the main is like that of the landed proprietors, which is in agreement with the Physiocratic conception of sovereignty. The landed proprietors and the king in reality form one class of fellow landowners, with the same rights, the same duties, and

<sup>&</sup>quot;The tax is a kind of inalienable common property. When proprietors buy or stell and they do not buy and stell the tax. They can only dipose of that portion of the land which really belongs to them, after deducting the amount of the tax. This tax is no more a charge upon property than us the right of fellow proprietors a burden upon one's property. And so the public revenue is not burdenome to surpose, cost which is promo hard. The property than the right of property of the which a promo hard. The popul, Vol. 1, pp. 337–338.

If no order to give every security to proprietors the Physicoras were anxious that the value of the property, when once it was fired, abould vary as left as possible.

<sup>&</sup>quot;In order to give every security to propoleton the Physicorata were aution that the value of the property, when once it was faced, hould vary as this as possible. Baudeau, however, recognized the advisability of periodical resultations "in order that the severage power should shave after in the profits and the loose of the producer." And he addresses this important caution to the propietors: "Take no revoke to you have a face in the beautiful of an office that the providers for the increase in the revenue of indo. The thanks are easily due

to the growing efficiency of the woverign authority" (P. 706.)
"Let us observe, in passing, that the terms' trassition' and 'public revenue'
have unfortunately become synonymous in the public mind. The term 'trassion'
is always unspecialer. It implies a charge that is hard to bear, and which every
body is arrease to abid. The public evenue is the product of the soveright
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ne same revenues. Hence the sovereign's interests are completely ound up with those of his country.

The Physiocrats attached the greatest practical importance to their scal system, and were thoroughly convinced that the misery of the cople was due to the unequal distribution of the burden of taxation. hey thought that this was the true source of injustice—in short, that it was the social problem. To-day we ascribe misery to unequal istribution of wealth rather than to any particular fiscal system, and onsequently the Physiocratic view seems to us somewhat extreme.

onditions of fiscal organization under the old regime.

The objections which a single tax, levied only on the landed interest, vas bound to provoke were not unforeseen by the Physiocrats, nor did hey neglect to answer them.

To the objection that it was unjust to place the burden of taxation to the shoulders of a single class of the nation, instead of distributing it equally among all classes, the Physiocrats replied that the tatesman ideal was not equal taxation, but the complete abolition of all taxation. This could only be achieved by taxing the 'net product.'

Suppose that we agree that the taxes should be paid by some other class. The question then is to determine what class of the community

should be chosen.

Shall we say that the farmer must pay them? But after the "net product" has been deducted what remains for the farmer is just the bare equivalent of his original outlay. Consequently, if we take 600 millions from the farmers by any of taxation there will be so much less capital for the land, resulting in a smaller gross product the following year," unless they agitate for a reduction of 600 millions in their rents. If they succeed this will leave the proprietors in the position of having

and aucceed this will leave the proprietors in the position of having 1 m The sovereign takes a fixed amount of the net product for his annual income. This amount of necessity grows with every increase of the net product and diminished with every shrinking of the product. The people's interests and the sovereign's are,

consequently, necessarily one." (Baudeau, p. 769.)

This was the basis of Voltaire's lively satire L'Homme aree quarante leur. It treats of a wealthy financier who escapes taxation, and who makes sport of the poor agriculturate who pays taxes for both, although his secome is only forty leur

1 "Such a reduction of the necessary expenditure must result in diminuhed production because there can be no harvest without some amount of preliminary expense. You may check your expenditure, but it will mean diminulainty your harvest—a decrease in the one means an equal decrease of the other. Such a fatal blow to the growth of population would, in the long run, injure the landed proprietor and the

sovereign " (Dupont de Nemours, p 353-)

"A fall in the expenditure means a smaller harvest, which means that less will be expended upon making preparation for the next harvest. This cyclical movement seems a terrible thing to those who have given it some thought." (Mercier de la Rindre, p. 400.)

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tried in three communes of his principality, but, like most social experiments, failed. In two of the communes it was abandoned at the end of four years. In a third, despite its evil effects, it was prolonged until 1802. The increase in the land tax caused a veritable slump in the value of property just when the remission of taxes upon consumption was resulting in the rapid multiplication of wineshops and beer-

houses.1 It is unnecessary to add that the failure of the experiment did nothing to weaken the faith of the Margrave or his fellow Physiocrats. An experiment on so small a scale could not possibly be accepted as decisive. This is the usual retort of innovators when social experiments prove failures, but we must recognize the element of truth contained in their reply.

But if we wish to see the real results of the Physiogratic system we must look beyond the private experiments of a prince. Elsewhere the effects were much more far-reaching.

The fiscal aspect of the French Revolution owed its guiding inspiration to their ideas. Out of a budget of 500 million francs the Constituent Assembly decreed that about half of it-that is, 240 millionsshould be got out of a tax levied upon land, equal to a tax of 2400 million francs nowadays; and the greatest part of it was to be raised by direct taxation.

Distrust of indirect taxation, and of all taxes on commodities, is also a consequence of the Physiocratic system-a distrust that is bound to grow as society becomes more democratic. Most of the arguments in favour of direct taxation are to be found in the Physiocratic writings. But the chief one employed nowadays-namely, that indirect taxes often bear no proportion to the amount of the revenue, but weigh heaviest upon those who have least, is not among them. This concern

about proportionality, which is merely another word for justice, was "quite foreign to their thoughts." At a later stage of this work it will be our duty to call attention to the enthusiasm aroused by this old theory of an impôt unique as advocated in the works of an eminent American economist, who renders homage to the Physiocrats for inspiring him with ideals altogether opposed to those of the landed proprietors. And a similar movement under the very same name-the single-tax system-is still vigorous in the United

States 1 See Garçon's instructive brochure Un Prince allemand physiciat for a sésumé of the Marerave's correspondence,

We find the word in one of Dupont's letters to Say, but that is much later. \*Henry George dedicated his volume entitled Protection or Free Trade to them because he considered that they were his masters. But his inbute loses its point somewhat when we remember that he admitted that he had never read them.

# IV: RESUME OF THE PHYSIOGRATIC DOCTRINE. CRITICS AND DISSENTERS

A beief round of the contributions made to economic science by the Physiocrats will help us to traine their giral importance.

From the theoretical peant of view we have

1. The idea that every social phenomenon is subject to law, and that the object of scientific study is to documer such laws.

- 2 The idea that personal arterest if left to stortf will documen what is most advantageous for it, and that what is best for the individual is also best for exceptively. But this literal doctrine had many advocates before the Physicerate.
- 3. The conception of free competition, resulting in the establishment of the best pers, which is the most advantageous price for look parties, and implies the extinction of all usurous reefs.
- and impose the extinction of all triumous perful.

  4. An imposfect but yet searching analysis of production, and of
  the various divisions of capitals. An excellent elamification of incomes
- and of the laws of their distribution

  5. A collection of arguments which have long since become clanic
- a concernor or arguments which have long uncer become class in favour of landed property
  - From a practical point of sieu we have:
  - 1. The freedom of labour.
- Free trade within a country, and an impassionate appeal for the freedom of forcion trade.
  - 3. Limitation of the functions of the State.
- A first-class demonstration of the superiority of direct taxation over indirect.
- It is unjust to represelt the Physicerats, as is senertime done, with giving us nothing but social metaphysics. A lattle over-systemization may prove useful in the early stages of a scence. Its very faults have some usefulners. We must admit, however, that although their conception of the 'natural order' supplied the foundation, or at least the scaffolding, for political economy, it became so intertwined with a kind of optimism that it nullified the work of the Liberal school, especially in France.

Listen to Mercir de la Riviere. "We must admire the way as which one man becomes an instrument for the largeriness of others, and the manner in which this happiness seems to communicate itself to the whole. Speaks must be comes I do not know whether there will not be a few unknyp people seems that we note their numbers will be so few and the largery one will be so numerous that we note their numbers will be so few and the largery one will be so numerous that we note to be much concerned about belong them. All not interest and will set illust to the interest and will of the sovereign, forming for our reasoning good a harmony which can only be regarded as the work of a lind Providence that will that the land

But the greatest gap in the Physiocratic doctrine is the total absence of any reference to value, and their grossly material, almost terrestrial, conception of production. They seldom mention value, and what little they do say is often confused and commonplace. Herein lies the source of their mistakes concerning the unproductive character of exchange and industry, which are all the more remarkable in view of the able discussions of this very question by a number of their cortemporaries. Among these may be mentioned Cantillon, who resembles them in some respects and whose essay on commerce was published in 1755; it he Abbé Galiani, who dealt with the question in his Della Moneta (1750); and the Abbé Morellet, who discussed the same topic in his Prospectus d'un nouveau dictionnaire du commerce (1769). More important than any of them, perhaps, is Condillace, whose work Du Commerce et du Gouernement was unfortunately not published until 1776; but by that time the Physiocratic system had been completed,

and their pre-eminence well established.

Turgot, though one of their number, is an exception. He was never a thoroughgoing Physiocrat, and his ideas concerning value are much more scientific. He defines it as "an expression of the varying esteem which man attaches to the different objects of his desire." This definition gives prominence to the subjective character of value, and the phrases "varying esteem" and "desire" give it greater precision. It is true that he also added that besides this relative attribute value always implied "some real intrinsic quality of the object." He has frequently been reproached for this, but all that he

shall be full of happy men." (Vol. II, p. 698.) This enchanting picture only applies to future society when the "natural order" will be established. The optimism of the Physiocrasts is very much like the anarchists.

"Year lattle seems to have been known about Cartillon for more than a century after he death. But, the aft the reducevered founders of the science, bet as received considerable attention for some years past. It is influence upon the Physicerab has perhaps been enagegreated. Mittelbacu's earlant book, "Lind" in Human, which appeared just twelve months after Cartillon's work, it undoubtedly inspired by Cantillon. No decursion of his work is finduced in the text because it was felt that it might interfere with the plan of the work as already mapped out. There are several articles in various previous which deal with Cartillon's work, the cattled their glass articles in various previous which deal with Cartillon's work, the existent being that

contributed by Stanley Jevors to the Contemporary Review In 1881.

1 Univer at Manusca, which dates from 1760, and again in his Riferons. Quesnay's conception of value may be gleaned from his article patient difference, which remained unpublished for a long time, and has only recently appeared in the Rosse at history. Vol. 1 No.

Machine denseigner at scales, Vol. I. No. 1.

3 le dilate at considerable ength on the datanction between estimative value (what would now be called subjective value) and appreciative (or social) value. The first depend upon the amount of oftime and trouble we are willing to scarcife in order to acquare it. In this connection the notion of labour-value appears. As to appreciative value, it differs from the preceding only in bring an "swrenge estimative value,"

meant to say was that our desire always implies a certain correctness of judgment, which is indisputable unless every judgment is entirely illusory—and Turgot would never have admitted that.

illusory—and Turgot would never have admitted that.

It is possible that Turgot inspired Condillac, and that he himself and

word his inspiration to Gallani, whose book, which appeared twenty years earlier, he frequently quotes. This work contains a very acute psychological analysis of value, showing how it depends upon scarcity on the one hand and utility on the other.

Besides a difference in his general standpoint, there are other considerations which distinguish Turget from the members of the Physiocratic school, and it would have been juster to him as well as more correct to have devoted a whole chapter to him. I Generally speaking, his news are much more modern and more closely akin to Smith's. In view of the exigencies of space we must be content to draw attention to the principal doctrines upon which he differs from the Physiocratic

ine raysiocrats.

The fundamental opposition between the productivity of agriculture and the sterility of industry, if not altogether abandoned, is

at least reduced in importance.

2. Landed property is no longer an institution of divine origin.

Even the appeal to the "ground expenses" is dropped. As an institution it rests merely upon the fact of occupation and public utility.

uon it reas merety upon the tact of occupation and public utility.

A Movable property, on the other hand, holds a prominent place.
The function of capital is more carefully analysed and the legitimacy
of interest definitely proved.

But we must turn to Condillac's book if we want to see how the Physiocratic doctrue should be completed and expurgated of its errors. Condillac was already well known as a philosopher when, in his sixieth year, he published this new work in 17/6. This admirable book, entitled Le Commerc at le Gossemente conditir statument Pun & Peatre, contains an outline of most modern problems. The title gives no adequate indication of the character of the work, and possibly accounts for the oblivion into which the book has fallen.

It is a genuine economic treatise, and not a mediey of economic and political suggestions concerning social science, with an admixture of ethics and jurisprudence. Zvalue is regarded as the foundation of the science, and the Physiocrats are thus out-classed from the very firstly Value itself is considered to be based upon utility, which is stripped of

<sup>&</sup>lt;sup>1</sup> Turgot, through a distrible of Quesnay, remained outside the Physioceauc school, He always referred to them contemptuously as "the sect." <sup>2</sup> "I am so struck with this notion that I think it must serve as the basis of this whole treasine." (Chapter I)

its popular meaning, and given a scientific connotation which it has never lost. It no longer implies an intrinsic, physical property of matter, but connotes a degree of correspondence between a commodity and a given human want. "Value is not an attribute of matter, but represents our sense of its usefulness, and this utility is relative to our need. It grows or diminishes according as our need expands or contracts." This is the foundation of the psychological theory of value!

But this is not all—though a great deal. Ale clearly realizes that utility is not the only determinant of value; that quantity, i.e., scarcity or abundance, also exercises an important influence. With admirable judgment he seizes upon the connexion between them, and shows how the two statements are united in one, for quantity only influences value according as its action upon utility intensifies or weakens demand.

But since the value of things is based upon need it is natural that a more kernly left need should endow things with preater value, while a less urgent need endows them the less. Value increase such exercity and dimunshes with plenty. In case of plent it may even disappear; a superabundant good will be valueless if one has to use for it.

This could not be put more clearly to-day. Here we have the germ of the theories of Jesons and the Austrian school, though it took a long time to develop.

We might naturally expect a superior treatment of exchange following upon this new through of also. If value is simply the satisfaction of wart, exchange creates two values when it satisfies two needs at the same times. The characteristic of exchange is that each of the two parters yields what it has no imperalimenting in melens, and consequently valueless, what is domanded has greater unity, and consequently valueless, what is domanded has greater unity, and consequently valueless, what is domanded has greater unity, and consequently greater value. Two men come to market each with a useful one, it can be a superior value of the same and consequently described in the same and each resurce with a useful one. Characteristic thirty services as a given exchange common great feat that the general conference is the loss of the others, is seen to be rade also false. The Physicaetra's notable the Transe at tempted a regist, but, for remova already given, they never succeeded in realizing the sale procedure of extranse or design, they never succeeded in realizing the sale procedure of extranse or design.

Also monored the Chamberwork p. 15.

\*Plant J. Part J. Chapter I.

\*Plant a Northern to have North for the product which we record, for the prosperty, the C. Sarth which is good a stimular scalar or the longer for all larger four. The present produces in Social International Conditions the Streen of the plant for the scalar than the scalar in their chamber when the Streen for the Streen than the scalar in their chamber the Streen St

This same theory should have earried Condillac a stage further, and helped in the rectification of the Physiocratic error concerning production. 2f value is simply utility and utility itself is just the correspondence between things and out demand for them, what is the agency that produces this harmony between things and desires? It is very seldom that nature succeeds in establishing it. "Nature is frequently fertile in things we have no desire for and lavish of what is useless"—a profound remark that ought to have cooled the Physiocratis' lose of the Alma Parus. "Matter is transformed and made useful by dint of human labour. Production means giving new form to matter." If this be true, then there is no difference between agricultural and industrial production, for they both transform what already exists.

Moreover, the theory proves very clearly that if artisans and proprietors are dependent upon the agriculturist—as, indeed, they are the latter in their turn are nothing but artisms. "If some one asks whether agriculture ought to be preferred to manufacture or manufacture to agriculture, we must reply that we have no preferences, and that the best use should be made of both."

that the Dest loss anound so mande of boun. \*\*
Lastly, his definition of wages, short as it is, is of immense significance. "Wages represent the share of the product which is due to the workers as oc-partners." Wages only 'represent' the share that is due to the workers. In other words, the wage-carner, either through zwant of will or of power, cannot exercise his rightful claim to his sown work, and simply surrenders the claim in return for a money price. This constitutes his salary, which is regulated, like every other price, by competition between buyers and sellers. Condillar, makes no reference to an iron law of wages, but regards them as determined by the forces of demand and supply. He does, however, hint at the immigist alliance which exists between capital and labour.\*

From a practical standpoint also, especially in his defence of free labour and his condemnation of corporations, Condillae is more categorical than the Physiocrats. "All these iniquitous privileges," he writes, "have no claim to a place in the order beyond the fact that they are already established." He is as persistent as Turgot in his

Ibid . Part I, chapter xxix.

<sup>1</sup> Le Commerce et le Goucernement, Part I, chapter ix.

<sup>&</sup>quot;Even where the land is covered with products there is no additional material beyond what there was formerly. They have just been given a new form, and wealth counts merely of such transformation.

In a study of the wage bargain we find Chatelain giving expression to similar ideas, though apparently knowing nothing of Condillac's work.

ADAM SMITH

justification of the taking of interest and in his demand for the determination of the rate by competition. This very elegant argument is employed to show its similarity to exchange: Exchange implies compensation for overcoming the drawbacks of distance, whether of place or of time. Exchange generally refers to place, interest to time, and this is really the foundation of the modern theory.

## CHAPTER II: ADAM SMITH

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NOTWITHSTANDING the originality and vigour displayed by the Physiocrats, they can only be regarded as the heralds of the new science.

Adam Smith, \* it is now unanimously agreed, is its true founder. The

See Turgot, Monaise and les poits d'argent, p. 122: "In every bargain involving the taking of unterest a certain une of money is genen now in exchange for a somewhat larger sum to be paid at some future date, difference of time as well as of place makes a real difference to the value of money." Further on he adds (p. 122): "The differente is familiant to every one, and the well-known proverb' A hid in the hand is worth two in the boath' is simply a popular way of expressing it."

The life of Adam Smith presents nothing remarkable. It is easily summed up in the story of his travels, his professional activities, and the records of his friendships, and among these his intimacy with Hume the philosopher has become classical. He was born at Kirkcaldy, in Scotland, on June 5, 1723. From 1737 to 1740 he studied at the University of Glasgow under Francis Hutcheson, the philosopher, to whom he became much attached. From 1740 to 1746 he continued his studies at Oxford, where he seems to have worked steadily, chiefly by himself. The intellectual state of the university was at that time extremely low, and a number of the professors never delivered any lectures at all. Returning to Scotland, he gave two free courses of lectures at Edinburgh, one on English literature and the other on political economy, in the course of which he defended the principles of commercial liberty. In 1751 he became Professor of Logic at Glasgow, at that time one of the best universities in Europe. Towards the end of the year he was appointed to the chair of Moral Philosophy, which included the four divisions of Natural Theology, Ethics, Jurisprudence, and Politics within its curriculum. In 1759 he published his Theory of Moral Scalements, which speedily brought him a great reputation. In 1764, when forty years of age, he quitted the professorial chair at Glasgow University and accompanied the young Dake of Buccleuch, son-in-law of Charles Townshend, the celebrated statesman, on his travels abroad. With the young nobility of this period foreign travel frequently took the place of a university training, on account of the disrepute into which the latter had fallen. South was given a pension of £300 a year for the rest of his life, so that the mere material advantage was considerably in excess of his earnings as a professor. The years 1764-66 were spent in this way. A year and a half was passed at Toulouse, two months at Geneva, where he met Voltaire, and another ten months at Paris While in Para he became acquainted with the Physiocrats, particularly with Turgot and the Encyclopedian. It was at Toulouse that he began his Weslih of Nations Returning to Scotland in 1767, he went to live with his mother, with the sole of pee of devoting himself to this work. By 1773 the book was nearly complete. But Smith moved to London, and the work did not appear till 1776. By this achievement Smith

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ppearance of his great work on the Wealth of Nations in 1776 instantly clinsed the tentative efforts of his predecessors. To-day the Physioratic doctrines scarcely do more than arouse historical curiosity, while mith's work has been the guide for successive generations of econonists and the starting-point of all their speculation. Even at the resent day, despite many changes in the fundamental principles of he science, no economist can afford to neglect the old Scots author without unduly narrowing his scientific horizon.

Several reasons account for the commanding position held by this rowsed the great celebraty which he already enjoyed. In January 1778 Smith was ppointed Communioner of Customs at Edinburgh, a distinguished position which

te held until his death in 1790 All that we know of Smith's character shows him to have been a man of tender celings and of great refinement of character. His absent-mindedness has become proverbial. In politics his sympathies were with the Whigs. In religion he associated himself with the deuts, a school that was greatly in vogue towards the end of the eighteenth century, and of which Voltaire, who was much admired by Smith, was

the most celebrated representative. For a long time the only life of Smith which we possessed was the memoir written by Dugald Stewart, Account of the Life and Westings of Adam Smith, and read by him in 1703 before the Royal Society of Edinburgh. It appeared in the Transplose of the society for 1794, and was published in volume form in 1811 along with other biographies, under the tule of Burraphical Memours of Adam Smith, Robertson, etc., by Dugald Stewart. To-day we are more fortunate. John Rae in his charming Life of Adam Smith (London, 1895) has succeeded in bringing to light all that we can know of Smith and his circle. To him we are indebted for most of the details we have given. In 1894 James Bonar published a catalogue of Smith's library, containing about 2300 volumes, and comprising about two-thirds of his whole library. A still more important contribution to the study of Smith's ideas has been made by Dr Edwin Cannan, who in. 1896 published Lectures on Justice, Police, Revenue, and Arms, delivered in Glasgow by Adam Smith, from Notes taken by a Student in 1763 (Oxford). This represents the course of lectures on political economy delivered by Smith while professor at Glasgow. A manuscript copy of the notes taken in this course by a student, probably in 1763, was accidentally discovered by a Landon solicitor in 1876. These notes were in 1895 forwarded to Dr Cannan for publication. They are especially precious in helping us to understand Smith's ideas before his stay in France and his meeting with the Physiocrats. Of the numerous editions of the Wealth of Nations which have hitherto been published, the more important are those of Buchanan, McCulloch, Thorold Rogers, and Nicholson. The best critical edition is that of Dr Cannan, published in

1904 by Methuen, containing very valuable notes. This is the edition we have used. In 1937 a very valuable addition was made to our knowledge of the life and family of Adam Smith by W. R. Scott, who, on the 200th anniversary of Smith's matriculation at Glasgow University, published a large volume entitled Adam Smith ar Student and Professor (Glasgow, 1937, 445 pp 4to) Its contents include, besides unpublished letters, a document of very great value—a summary of Smith's economic ideas, compiled by himself and sent, about the year 1750, to Charles Townshend This manuscript contains an admirable account of the division of labour, even more interesting than that given in The Wealth of Nations, and allows us a glumpse of the entire sociological and philosophical range ascribed by Smith to the division of labour as the foundation of the wealth of human societies. The manuscript was rediscovered by Scott among the papers preserved in one of the residences of the late Duke of Buccleuch.

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book-a position which no subsequent treatise has ever successfully tivalled.

First is its supreme literary charm. It is above all an interesting

book, bristling with facts and palpitating with life. The burning questions of the hour, such as the problems presented by the colonial regime, the trading companies, the mercantile system, the monetary question, and taxation, supply the author with congenial themes for his treatment. His discussion of these questions is marked by such

mastery of detail and such balance of judgment that he convinces without effort. His facts are intermixed with reasoning, his illustrations with argument. He is instructive as well as persuasive. Withal there is no trace of pedantry, no monotonous reiteration in the work, and the reader is not burdened with the presence of a cumbersome logical apparatus. All is elegantly simple. Neither is there the slightest suggestion of the cynic. Rather a passion of genuinely human sympathy, occasionally bordering upon eloquence, breathes through the pages. Thanks to rare qualities such as these we can still feel something of the original freshness of this old book.

In addition to this, Smith has been successful in borrowing from his predecessors all their more important ideas and welding them into a more general system. He superseded them because he rendered their

work useless. A true social and economic philosophy was substituted for their fragmentary studies, and an entirely new value given to their contributions. Taken out of their isolation, they help to illustrate his general theory, becoming themselves illuminated in the process. Like most great writers, Smith knows how to borrow without impairing his originality. Over a hundred authors are quoted in his book, though their names are not always mentioned. Some, at least,

of the writers who exercised such influence over him, and opened up the path which he afterwards followed, deserve more than a passing reference. "The first place among these belongs, perhaps, to Hutcheson, Smith's

predecessor in the chair of Moral Philosophy at Glasgow. The divisions ; & of the subject are almost identical with those given by Hutcheson, and many of Smith's best-known theories can be traced in the System of Moral Philosophy published by Hutcheson in 1755, but which we know was written long before. Hutcheson laid great stress upon the supreme importance of division of labour, and his views on such questions as the origin and variations in the value of money and the possibility of corn or labour affording a more stable standard of value closely resemble those of the Wealth of Nations.

David Hume is a near second. Smith refers to him as "by far the

nost illustrious philosopher and historian of the present are." and rom 1752 onward they were the closest of friends. Hume was already he author of some essays on economic questions, the most important among them dealing with money, foreign trade, the rate of interest, etc. These, along with several other writings, were published in the Political Discourses in 1752. Hume's examination of these problems displays his original penetrative thought, and there is evident the profundity and lucidity of treatment characteristic of all his writings. The absurdity of the Mercantile policy and of interfering with the natural tendency of money to adapt itself to the needs of each community, the sophistry of the balance of trade theory, and the impious consequences resulting from commercial jealousy among nations are exposed with admirable force in these essays. No doubt the essays left a great impression upon Smith. He quoted them in his lectures at Glasgow, and Hume consulted him before bringing out a second edition. It is true that Smith eventually became the stauncher Liberal of the two. Hume, in his essay on the Balance of Trade, recognized the legitimacy of certain protective rights which Smith wished removed altogether. Still, it was to Hume that Smith owed his conversion to the Liberal faith

On his matter of commercial liberty there was already, towards the end of the seventeenth and the beginning of the eighteenth centuries, a small but a growing band of Mercantilists who had begun to protest against the irksomeness of the Customs regulations. They were, of course, still largely unbused with mercantile prejudice, but they are rightly classed as "Liberals." Just as in France Boinguillebert had foreshadowed the Physicotrast, so in England Child, Petty, Tucker, Dudley North, and Gregory King had been preparing the way for a more liberal policy in foreign trade.\*

In addition to Hutcheson and Hume one other writer must be mentioned in this connexion, namely, Bernard de Mandeville. He  $\hat{\rho}^{1}$ , was not an economist at all, but a doctor with considerable philosophical interests. In 1704 he had published a poem, which, along with a number of additions, was republished in 1714 under the title of The Fable of the Best; or, Priosit Viers Public Benglit. (The fundamental idea of the book, which caused quite a sensation at the time, and which was exized by order of the Government, is that civilization—understanding by that term not only wealth, but also the arts and actinecs—is the outcome, not of the vitrues of mankind, but of what

Wealth of Nations (Cannan's edition), Vol. II, p. 275.

On this point, as on all that concerns Mercantilum, see Heckscher's book with that title, published in Swedish in 1931 and since translated into German and English.

Mandeville calls its vices; in other words, that the desire for wellbeing, comfort, luxury, and all the pleasures of life arises from our natural wants. The book was a sort of apology for the natural man and a criticism of the virtuous

Smith criticized Mandeville in his Theory of Moral Sentiments,1 and reproached him particularly for referring to tastes and desires as vices though in themselves they were nowise blameworthy. But despite his criticism Mandeville's idea bore fruit in Smith's mind. Smith in his turn was to reiterate the belief that it was personal interest (in his opinion no vice, but an inferior virtue) that unwittingly led society in the paths of well-being and prosperity. A nation's wealth for Smith as well as for Mandeville is the result, if not of a vice, at least of a natural instinct which is not itself virtuous, but which is bestowed upon us by Providence for the realization of ends that lie beyond our farthest ken

Such are the principal writers in whose works we may find an outline of some of the more important ideas which Smith was to incorporate in a true system.

Mere systematization, however, would not have given the Wealth of Nations its unique position. Prior to Smith's time attempts had been made by Quesnay and the Physiocrats to outline the scope of the science and to link its various portions together by means of a few general principles. Although he was not the first to produce a connected scientific treatise out of this material, he had a much greater measure of success than any of his predecessors.

(Smith owed much to the Physiocrats, but he had little personal acquaintance with them beyond that afforded by his brief stay in Paris in 1765. Slight as the intimacy was, however, there is no doubt about the influence they had upon him. It is also very improbable that he had read all their works: Turgot's Reflexions, for example, written in 1766, but only published in 1769-70, was probably not known to him. But frequent personal converse with both Turgot and Quesnay had helped him in acquiring precise first-hand knowledge of their views. We can easily guess which ideas would attract him most,

On one point at least he had no need to be enlightened, for in the matter of economic liberalum he had long been known as a doughty champion. But the ardent faith of the Physiocrats must have

strengthened his own belief very considerably. ... On the other hand, it appears that he borrowed from the Physics grays the important idea converning the distribution of the annual

<sup>2</sup> Chapter to of sec. it of the 7th part of the Theory of Mod Sentiments is entitled Of Systems of Lanna.

vrnue between the various classes in the nation. In his lectures at lagow he scarcely mentions anything except production, but in the 'rath of Nations an important place is given to distribution. The ifference can hardly be explained except upon the hypothesis of mith's growing acquaintance with the Tableau Aconomiquu and the reory of the 'net product.')

Part admitting that he borrowed what was most characteristic and not suggestive in their teaching, his treatment of its many compliated aspects is altogether superior to theirs. The Physiocrats were so presend by the importance of agriculture that they utterly failed to be the problem in its true perspective. They scanned the field through erevice, and their vision was consequently narrow and limited, mith, on the other hand, took the whole field of economic activity a his province, and surveyed the ground from an eminence where the few was clearest and most extensive.

After economic world be regarded as a vast workshop created by wixion of labour, one universal psychological principle—the desire of veryone to better his lot—supplying unity to its diverse phenomena—folitical economy was at last to be based, not on the interests of a articular class, whether manufacturing or agricultural, but upon a consideration of the general interest of the whole community. Such such discussions are the directing principles, that inspire the whole work, the guiding lines amidst what had hitherto seemed a mere chaos of economic facts. Contemporaries never counted upon the difficulties which the test science was bound to encounter, so great was their enthusiasm at having a fixed standpoint from which for the first time the complex interests of agriculture, industry, and commerce might be impartially surveyed. With Smith the study emerged from the "system" stage and became a science.

Our examination of Smith's views will be grouped around three points:

- (I) Division of labour.
- (II) The 'natural' organization of the economic world under the influence of personal interest.
  - (III) Liberalism,

## I: DIVISION OF LABOUR

It was Quesnay who had propounded the theory that agriculture ? // was the source of all wealth, both the State's and the individual's. 1 . // Adam Smith seized upon the phrase and sought to disprove it in his

1 Oncken's edition, p. 331.



shears with which the shenherd clins the wool. The miner, the builder of the furnace for smelting the ore, the feller of the timber. the burner of the charcoal to be made use of in the smelting-house. the brick-maker, the brick-layer, the workmen who attend the furnace the mill-wright, the forcer, the smith, must all of them join their different arts in order to produce them. Were we to examine in the same manner, all the different parts of his dress and household furniture, the coarse linen shirt which he wears next his skin, the shoes which cover his feet, the bed which he lies on, and all the different parts which compose it, the kitchen-grate at which he prepares his victuals, the coals which he makes use of for that purpose, due from the bowels of the earth, and brought to him perhaps by a long sea and a long land carriage, all the other utensils of his kitchen. all the furniture of his table, the knives and forks, the earthen or pewter plates upon which he serves up and divides his victuals, the different hands employed in preparing his bread and his beer, the glass window which lets in the heat and the light, and keeps out the wind and the rain, with all the knowledge and art requisite for preparing that beautiful and happy invention, without which these northern parts of the world could scarce have afforded a very comfortable habitation, together with the tools of all the different workmen employed in producing those different conveniencies: if we examine, I say, all these things, and consider what a variety of labour is employed about each of them, we shall be sensible that without the assistance and co-operation of many thousands, the very meanest person in a civilized country could not be provided, even according to, what we very falsely imagine, the easy and simple manner in which he is commonly accommodated.

<u>Division of labour</u> is simply the spontaneous realization of a particular form of this social cooperation. Smith's peculiar merit lies in placing this fact in its true position as the basic of his whole work. The book opens upon this note, whose economic and social importance has been so frequently emphasized since that it sounds almost commonplace to-day.

This division of labour effects an easy and natural combination of conomic efforts for the creation of the national dividend. Whereas animals confine themselves to the direct satisfaction of their individual needs, men produce commodities to exchange them for others more immediately desired. Hence there results for the community an enotrous increase of wealth; and division of labour, by establishing the co-operation of all for the satisfaction of the desires of each, becomes the true source of progress and of well-being.

<sup>&</sup>lt;sup>1</sup> "In almost every other race of animals each individual, when it is grown up to maturity, a entirely independent, and in its natural state has occasion for the assistance of no other living creature." (Wealth of Nations, Book I, chapter is; Cannan, Vol. I, p. 16.)

opening sentence by giving to wealth its true origin in the general activity of society.

The annual labour of every nation is the fund which originall supplies it with all the necessaries and conveniences of life which it annually consumes, and which consist always either in the immediate produce of that labour or in what is purchased with that

produce from other nations

〈Labour is the true source of wealth.〉When Smith propounded his celebrated theory, which has given ise to so many misunderstanding since, it was not intended that it should minimize the importance on natural forces or depreciate the part which capital plays in production. No one, except perhaps J. B. Say, has been more persistent in emphasizing the importance of capital, and to the land, as we shall presently see, he attributed a special degree of productivity. But from the very outset Smith was anxious to emphasize the distinction between his doctrine and that of the Physiocrats. So he definitely affirms that it human activity and not natural forces which produces the mass of commodities consumed every years.) Without the former's directing energy the latter would for ever remain useless and fruitless and fruitless.

He is not slow to draw inferences from this doctrine. Work, employed in the wides sense, and not nature, is the parent of wealth-not the work of a single class like the agriculturists, but the work of all classes. Hence all work has a claim to be regarded as productive. The nation's annual income owes something to every one who tolis. It is the result of their collaboration, of their "co-operation," as he calls it. There is no longer any need for the distinction between the sterile and the productive classes, for only the idle are sterile.

A nation is just a vast workshop, where the labour of each, however diverse in character, adds to the wealth of all. The passage in which Adam Smith expresses this idea is well known, but no apology is needed for quoting it once again.<sup>2</sup>

What a variety of labour too is necessary in order to produce the tools of the meaners of those workmen! To say nothing of such complicated machines as the ship of the sallor, the null of the fuller or even the loom of the weaver, let us consider only what a variety of labour is requisite in order to form that very simple machine, the

The theory that there are three factors of graduation, which has since become a commonplace of encouncing, in on the found in Shinh. Inducetly, however, it was be who enquasard the bles by distinguishing in his treatment of distribution between the various nourized of sevenue. The disturction now made, in was quite an interest of encount. The disturction now made, in was quite attempt comainer each source on a factor of production; and this is just what  $f_i \in \mathcal{K}_{ij}$  and  $f_$ 

<sup>8</sup> Wasth of Askons, Book I, chapter i; Cannan's edition, Vol I, PP ...

shears with which the shepherd clips the wool. The miner, the builder of the furnace for smelting the ore, the feller of the timber, the burner of the charcoal to be made use of in the smelting-house, the brick-maker, the brick-layer, the workmen who attend the furnace, the mill-wright, the forger, the smith, must all of them join their different arts in order to produce them. Were we to examine, in the same manner, all the different parts of his dress and household furniture, the coarse linen shirt which he wears next his skin, the shoes which cover his feet, the bed which he lies on, and all the different parts which compose it, the kitchen-grate at which he prepares his victuals, the coals which he makes use of for that purpose, dug from the bowels of the earth, and brought to him perhaps by a long sea and a long land carriage, all the other utensils of his kitchen, all the furniture of his table, the knives and forks, the earthen or pewter plates upon which he serves up and divides his victuals, the different hands employed in preparing his bread and his beer, the glass window which lets in the Meat and the light, and keeps out the wind and the rain, with all the knowledge and art requisite for preparing that beautiful and happy invention, without which these northern parts of the world could scarce have afforded a very comfortable habitation, together with the tools of all the different workmen employed in producing those different conveniencies; if we examine, I say, all these things, and consider what a variety of labour is employed about each of them, we shall be sensible that without the assistance and co-operation of many thousands, the very meanest person in a civilized country could not be provided, even according to, what we very falsely imagine, the easy and simple manner in which he is commonly accommodated.

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<sup>&</sup>lt;sup>1</sup> "In almost every other race of animals each individual, when it is grown up to maturity, is entirely independent, and in its natural state has occasion for the assistance of no other living creature." [Westh of Nations, Book I, chapter ii; Cannan, Vol. I, p. 16.]

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The disadvantages, moreover, were not altogether lost sight of, and it would be difficult to find a more eloquent plea for some counteracting influence than that which Smith puts forward in the fifth book of the Wellis of Nations. "In the progress of the division of labour," he remarks

the employment of the far greater part of those who live by labour, that is, of the great body of the people, comes to be confined to a few very simple operations; frequently to one or two. But the man whose whole life is spent in performing a few simple operations, of which the effects too are, perhaps, always the same, or very nearly the same, has no occasion to exert his undestranding, or to exercise his invention in finding out expedients for removing difficulties which never occur. He naturally lose, therefore, the habit of such exertion, and generally becomes as stupid and ignorant as it is possible for a human creature to become.

This passage seems in contradiction with the ideas expressed above. At one moment constant application to one particular kind of work is regarded as the mother of invention, at another the unremitting task is branded as a fertile cause of stupefaction. The contradiction is, however, more apparent than real. An occupation at first stimulating to the imagination may, if constantly pursued, result in mental topors. Smith's conclusions are at any rate interesting. Vif order to remove the inconveniences resulting from over-specialization he remove the inconveniences resulting from over-specialization he mphasizes the need for bringing within reach of the people, even of imposing upon them, a system of education consisting of the three R<sup>1,2</sup>—such education to be supplied through institutions partly supported by the State. We can imagine the shock which such heterodeys must be have given to the prophets of fausses/faire. Fortunately it was not the only one they had to bear.

Smith next proceeds to indicate the limits of this division of labour. Of such limits he mentions two: (by In the first place it must be limited by the extent of the market.

When the market is very small, no person can have any encouragement to dedicate himself entirely to one employment, for want of the power to exchange all that surplus pert of the produce of his own labour, which is over and above his own consumption, for much parts of the produce of other men's labour as he has occasion for the pert of the produce of other men's labour as he has occasion for

I h'adit of Nature, Book V, chapter i, Part III, art. 2; Cannan, Vol II, p. 267

The a very small expenses the public can facilitate, can encourage, and can even
impuse upon almost the whole bade of the people, the necessity of acquiring those
thant enemal parts of education." (Bof., Book V, chapter I, Part III, art 2 Vol. II,

A section.

<sup>1</sup> Ded., Rock I, chapter m; Vol. I, p. 10.

This is why foreign trade, including trade with the colonies, by extending the market for some products is favourable to further division of labour and a further increase of wealth. (a) "The other consideration which, according to Smith, limits division of labour is the quantity of capital available.¹ The significance of this observation is not quite so obvious as that of the former one. Here it seems to us that a co-clusion drawn from one particular trade has been applied to industry as a whole. It may be true of a private manufacturer that he will be able to push technical division of labour further than any of his rival provided he has more capital than they; but taking society as a whole it is clear that the existence of division of labour embles the same product to be produced with less capital than is necessary for the single producer.\*

Such is an outline of Adam Smith's theory of division of labour—so familiar to every one to-day that we are often unable to realize its importance and to appreciate its originality, and this deplie the fact that certain sociologists like Durkheim have hailed it as supplying the basis of a new thic. Juxtaposed with the Physiocratic theory, it is not very difficult to realize its superiority.

theory, it is not very difficult to realize its superiority.

"To the Physiocrast the economic world was a hierarchy of classes. The agriculturist in some mysterious way bore the "whole warm weight of this unintelligible world" upon his own shoulders, giving to the other classes a modicum of that sustenance which he had wrested from the soil. Hence the fundamental importance of the agricultural classes and the necessity for making the whole economic system subordinate to them. Adam Smith, on the other hand, attempted to get a view of production as a whole. He regarded it as the result of a series of joint undertakings engineered by the various sections of society and linked together by the tie of exchange. The progress of each section is bound up with that of every other. To none of these classes is entrusted the task of keeping all the others alive; all are equally indispensable. The artisan who sparse the labourer the task of building his house or of making his shoes contributes to the accumulation of agricultural products just as much as the ploughman who

<sup>1 &</sup>quot;As the accumulation of stock must, in the nature of things, be previous to the division of labour, so labour can be more and more subdivided in proportion only at stock is previously more and more accumulated." (Wiskid f Ndions, Joseph J. I), land Cannas, Vol. 1, p. 293) It is true that in another passage he peaks of the quantity of stock which can be employed in any breach of business depending very data of the labour which can be employed in it. (Idd. Jose 1, chapter, 8 Part II; Vol. 1, p. 157). But the observation remains incluted, while the former represents he rule.

<sup>&</sup>lt;sup>a</sup> Gr. Cannan's penetrating criticism of this idea of Smith's in Theories of Production and Distribution, pp. 80-83.

frees the artisan from turning the furrow or sowing the seed. The progress of national wealth cannot be measured in terms of a single net product; if must be estimated by the necrease in the whole mass of commedities placed at the disposal of constumers.

commodifice placed at the disposal of consumers.

"One very evident practical conclusion follows; namely, that taxation should fall, not upon one class, as the Physiocrats wished, but upon all classes alike, As against the impli unjus, Smith advocates multiple texation which shall strike every source of revenue equally, I labour and capital as well as land; and the fundamental rule which he lays down is as follows: 'The subjects of every State ought to contribute towards the support of the Government, as nearly as possible, in proportion to their respective abilities; that us, in proportion to the revenue which they respectively enjoy under the protection of the State-3t This is his fanous maxim of equality so frequently uputed in every financial discussion.\*

quoted in every financial discussion.\*

It is very curious that Smith should have failed to make the best possible use of this theory. It full significance was lost upon him. The theory of division of labour alone was sufficient to dispose of the whole Physicoratic system. Nevertheles, in the last chapter of Book IV we find him still valuantly struggling to disprove the conclusions of the Physicorats, by the aid of arguments not always very convincing Forgetting his principle of division of labour, he even adopts a part of their thesis and finds himself entangled by the invalid distinctions which they had drawn between productive and unproductive workers. He simply gives another definition and describes as unproductive all works which "perhain in the very instant of their performance, and seldom leave any trace or value behind them for which an equal quantity of service could afterwards be procured." All these services,

are the other three: "(ii) The tax which each sudicidual as bound to pay ought to be greinfa and not nativary. The time of payment, the manner of payment, the manner of payment, the manner of payment, the manner of payment, the payment of the paid, sought all to be clear and plan to the contributes, and to every other person. (iii) Every tax ought to be cleved at the tame, or in the manner, in which it is most blickly to be convenient for the contributes to pay it: (iv) Exery tax ought to be eleved at the tame, or in the manner, in which it is not be so contrived as bolls to take out and to keep out of the pockets of the people as little as possible, over and above what it brings into the public treasury of the State?" (Urigol of Nathers, Book V, chapter, if art II; Canano, Vol. II, pp. 350-350).

This rule of payment according to ability did not prevent his profouncing an under paragraphs in favour of programs be assisted. This is an instance of a want of logic frequently evidenced in his writing. Speaking of taxes upon rent, he etnusts that they wright more heavily upon rich than upon poor, because the former in proteat they wright more heavily upon rich than upon poor, because the former in proteating the programs of the proportion of the proportion of the previous programs of the proportion. The proportion of their sections, but smeething more than in that proportion." (Hold.

Book V, chapter ii, Part II, art. 1; Vol. II, p. 327.)

\* Ibd., Book II, chapter in; Vol. I, p. 314.

which comprise the labours of domestic servants, of administrators and magistrates, of soldiers and priests, of counsellors, doctors, ariats, authors, musicians, etc., Say classed together as 'immaterial products'. By restricting the term 'productive' to material objects only, Smith gave rise to a very sucless controversy on the nature of productive and unproductive works—a controversy that was first taken up by Say and revived by Mill, but which to-day seems to be decided against Smith, thanks to a more exact interpretation of his own doctrines. It is, indeed, quite clear that all these services constitute a part of the annual revenue of the nation, and that 'production' in a general sense would be diminished if some persons did not exclusively devote themselves to the performance of such tasks.

After criticizing the Physiocratic distinction drawn between the wage-carning classes and the productive, 6mith immediately admit that the labour of artisans and truders is not as productive as that of farmers and agricultural labourers, for the latter not only return the capital employed by them together with profits, but they also furnish the proprietor with rent8.

Whence this hesitation on the part of Smith? Where did he come by the idea of the special and superior productivity of agriculture? An attempt to account for it may prove interesting, and it will help us to give Smith his true place in a history of economic doctrines.

give Smith his true place in a history of economic doctrines. Motivithateding his recentation, Smith was never quite rid of Physiocratic influence.) Writing of the Physiocratic system, he decribed it as perhaps "the nearest approximation to the truth that hay teb eneap bulbhed." a Son indelible was the impression which the Physiocrats left upon him that both they and their doctrines, even when the latter are directly opposed to his own, are always spoken of with the greatest respect. The most important evidence of their power over him is the thesis just mentioned which he attempted to defend, namely, that between agriculture and other industries lies an essential distinction, because in industry and commerce the forces of nature are never brought into play, whereas in agriculture they always collaborate with man. "No equal quantity of productive labour employed in manufactures can ever occasion so great a reproduction. In them

2 Ibid., Book IV, chapter ix: Vol. II, p. 176.

<sup>1. &</sup>quot;Farmers and country labourers, indeed, over and above the stock which mistins and employ them, prepoduce annually a near produce, a fice rest to the land-lord. As a marriage which affords three chaldren is certainly more productive than one which affords only two; to the labour of farmers and country labourers is creasily more productive than that of merchants, artificers, and manufacturers. The more productive than that of merchants, artificers, and manufacturers. The composition of the composi

nature does nothing; man does all; and the reproduction must always be in proportion to the strength of the agents that occasion it." I We almost think we are dreaming when we read such things in the work of a great economist. Water, wind, electricity, and steam, are they not natural forces, and do they not co-operate with man in his task of production?

Considerations such as these were allowed to pass quite unheeded, and Smith persisted in his error because he believed that this new doctrine furnished him with an explanation of rent, that strange enigma which had puzzled English economists for so long. How was it that while other branches of production gave a return only sufficient to remunerate the capital and labour employed, agriculture, in addition to these two revenues, vielded a supplementary income known as rent? At was because "in agriculture nature labours along with man: and though her labour costs no expence, its produce has its value as well as that of the most expensive workman." Thus "rent may be considered as the produce of those powers of nature, the use of which the landlord lends to the farmer."2 Had Smith arrived at a true theory of rent this recourse to the natural powers of the soil to furnish an explanation of the proprietor's revenue would have been quite unnecessary, and in all probability he would not have so easily accepted the idea of the special productivity of the soil. But this false conception of nature has persisted in economic theory, and in it Smith

<sup>1</sup> Weslift of Nations, Book II, chapter v; Vol. I, p. 344.

<sup>\*</sup> Bid. Note that in this, as no other mattern, Simth entertains more than one opinion. In other passages in the name work he regards rent as a monopoly prace that "enter into the composition of the price of commodities in a different way from wages and profit, are the causes of high or low vagors and profit, are the causes of high or low prace; but the composition of the causes of the property of the profit of the cause of the profit of the profit of the profit of the cause of the profit of the pro

It is impossible to reconcile these statements. In the one case rent is regarded as a constituent element of price, in the other it is the effect of price.

In the first estation this contradiction, was still more evaluate. In that claims result, along with profit and wages, was treated as a third determinant of value. (See Cannan's estation, Vol. I, p. sp., note; p). The paragraph was defented from the second cition, and error was testend energies as component; part of the prior. The mondification was perhaps the outcome of a letter written by Hume to Smith on April 1, 1776, and the history of the size of the prior. The mondification was perhaps the outcome of a letter written by Hume to Smith on April 1, 1776, and the result of the Smith of the first results are produced by Hume. "It cannot think," "It cannot think," "It cannot think," a found to the prior with the contradiction of the prior with the prior to the prior with the

thought he saw an additional reason for adhering to those erro the Physiocrats had first induced him to commit.<sup>2</sup>

Nothing can be more incorrect, though it is frequently do

Apart from his personal attachment to the Physiocrats we n remember that Smith more than shared their predilection is culture.

to regard Smith as the prophet of industrialism and to contr with the Physiocrats, the champions of agriculture. (When the of Nations appeared in 1776 the economic transformation kr history as the Industrial Revolution, which consisted in th ...' substitution of machine production for the old domestic regul as yet scarcely begun., Hargreaves and Arkwright had doubtle inventions to their credit. The one had produced the spinning in 1765, and the other had perfected the water frame in 1767, in , ments that had given considerable impetus to the cotton trade. Watt,2 who was known to Smith, took out a patent for a steam in 1769. But these inventions were as yet quite novel, and re time before they could modify the industrial system. The mo portant among them, Crompton's "mule" and Cartwright's w machine, were as yet of the future. These dates are significan prove conclusively that the Industrial Revolution had scarcely when Smith's great work appeared Moreover, several of the important themes treated of in the Wealth of Nations may I covered in the course of lectures which Smith delivered at G about 1759, so that it is quite impossible to establish anything I exact connexion between the Industrial Revolution which we

of Glasgow, for which he manufactured mathematical instruments. The corporate for the prehiment to set at up in the town—a striking illustration of automatical and inferrability of "the corporative regime."

beginning and the ideas embodied in the Wealth of Nations. 3 His error is partly due to the fact that he failed to distinguish between the of the extrement and the caterest of the capitalist. Both with Smith and v successors the word 'profit' signified a twofold revenue, and this was perfectly so long as the entrepresent was also a capitalut. The word 'interest' was reser the ancome of that person who lent capital but who did not himself produce an The revenue "derived from stock, by the person who manages or employs it, it profit. That derived from it by the person who does not employ it himself, but it to another, is called the interest or the use of money." (Walth of Nations, I chapter vs. Cannan, Vol. I, p. 54) J. B. Say was the first to give us a definite the surpress. Had South realized more clearly the functions of the subspec would probably have perceived. (1) that the subspiceur, in addition to paying to on his capital, frequently has to pay rent for the use of the soil; (2) that profit stri talled includes an element analogous to rent. According to Smith, profit was payment for rule undergone or for work undertaken. I Jean's It are to 1756 had set up his workshop within the precincts of the Unit

cannot even say that Smith was particularly enamoured of the manufacturing regime—apart from the mechanical advance which it in plied. For, as Marx says, 'the characteristic trait of English economic life, despite the undisputed advance that industry was making at that time, was commercial rather than industrial. Sepecially was this true of Glasgow, where Smith made most of his observations. Glasgow then was an essentially commercial town, principally engaged in the importation of American tobsecco.<sup>3</sup>

Far from constituting a prophetic manifesto of the new age, Smith's work reveals even to the most superficial reader a thorough abhoretrace of traders and manufacturers. All his sarcasm is reserved for them, all his criticism [veelled at them. While the interest of landed proprietion and workers appears to him always to accord with a country's general interest, that of traders and manufacturers having 'generally has an interest to deceive and even to oppress the public, and who accordingly have, upon many occasions, both deceived and oppressed it."

Again, when it comes to choosing between capitalists and workmen the issue is not long in doubt. It is quite clear from more than one passage that Smith's sympatry was wholly with the workers. Several paragraphs could be cited in proof of this. Suffice it to recall the very sympathetic way in which he speaks of the high wages of workmen and contrast it with his discussion of profits.

Is this improvement in the circumstances of the lower ranks of the society? The answer seems at first sight abundantly pains. Servants, albouren and workmen of different kinds, make up the far greater part of every great political society. But what improves the circumstances of the greater part can ever be regarded as an inconveniency to the whole. No society can surely be flourishing and happy, of which for key greater part can the conveniency to the whole. No society can surely be flourishing and happy, of which for key greater part of the toe modern are poss own domestics. It is but of the prophe, though have such a share of the produce of their lower labour as to be themselves tolerably well fed, cloathed, and lodged!

<sup>&</sup>lt;sup>1</sup> Marx speaks of Smith as the economist who is the very epitome of the manufacturing period. (Dar Kapital, Vol. I, p. 313, note.)

See Mantoux's work La Reladities industrials on XVIIII State, p. 1. (Fars, 1905). "We are matisfer," any he, "We with that that manifesture was the dominant feature of the period preceding the factory system. Logically it may be the necessary anordens, but hancencily its claim to priority is weak, although it felt has undelade marks upon industry. The appearance of industry at the time of the Renaisance is made to the contraction of the contra

Rae's Life of Adam Smith, p. 89.

Wealth of Nations, Book I, chapter xi; Cannan, Vol. I, p. 250.

<sup>8</sup> Ibid., Book I, chapter vin; Vol. I, p. 80.

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High wages, moreover, are normally associated with a low cost of labour. This distinction between the cost of labour and the level of wages is not to be found in the Wealth of Nations but in the admirable summary of it that Adam Smith made in 1760, recently discovered by Professor Scott. "In an opulent and commercial society," he writes,

labour becomes dear and work cheap, and those two events which vulgar prejudice and superficial reflection are spt to consider as altogether incompatible, are found by experience to be perfectly consistent. The high price of labour is to be considered not meerly [sic] as a proof of the general opulence of Society which can afford to pay well all those whom it employs; it is to be regarded as what constitutes the expence [sic] of public opulence, or as the very thing in which public opulence properly consists. That state is properly opulent in which opulence is easily come at, or in which a little labour properly and judiciously employed, is capable of procuring any man a great abundance of all the necessaries and conveniences of life.1

The tune changes when he comes to speak of profits. He is of opinion that high profits raise the price of commodities much more than high wages, and he dismisses the consideration of the problem with this ironical remark:

Our merchants and master-manufacturers complain much of the bad effects of high wages in raising the price, and thereby lessening the sale of their goods both at home and abroad. They say nothing concerning the bad effects of high profits. They are silent with regard to the pernicious effects of their own gains. They complain only of those of other people.3

The contrast is significant. It is still more deeply marked in that phrase which one is surprised not to see more frequently quoted by the champions of labour legislation. "Whenever the legislature attempts to regulate the differences between masters and their workmen, its counsellors are always the masters. When the regulation, therefore, is in favour of the workmen, it is always just and equitable; but it is sometimes otherwise when in favour of the masters."

This is not the tone of most of his contemporaries. Nor do we meet with this note in the writings of the appointed champions of the industrial system-the McCullochs, the Ures, and the Babbages of the next fifty years. His words ring with that generous pity which proved a source of inspiration to Lord Shaftesbury and Michael Sadler in their efforts to secure the passing of the Factory Act of 1833.

Smith cannot, accordingly, he regarded as the herald of dawning W. R. Sciert, Adam Smith as Student and Professor (Jackson, Glangere, 1937), P. 332.

" Wealth of Assaur, Beeck I, chapter 12, as far; Cannan, Vol. 1, p. 100. A.L. Book I, chapter a, Part II, Vol. I, p 143.

industrialism. He clung to agriculture with all the tenacity of his nature, and no opportunity of showing his preference was ever missed. The difficulties of agriculture are quite beyond those of any other craft. "After what are called the fine arts, and the liberal professions, however, there is perhaps no trade which requires so great a variety of knowledge and experience." Not only is it more difficult, but it is also more useful. Between agriculture, manufacture, and commerce he draws a long comparison (to which we shall have to make reference again) purporting to show that of all employments agriculture is the most profitable field of investment, and the one most in accord with the general interest. For the more progressive nations "the natural course of things" would seem to suggest the investment of capital firstly in agriculture, in the second place in industry, and finally in foreign trade. The whole of Book III is an endeavour to show how the policy of European nations had for many centuries been hostile to acticulture and how the natural order had been inverted in the interests of merchants and actions. Agriculture had always been the victim. In his theory of taxation he shows how a portion of the taxes on profits and wares ultimately falls upon property. In his discussion of duties on imported corn-those duties which aroused the indienation of Ricardo against the landlords-he reveals the same partiality. And he even goes the length of saving that it is not because of their personal interest, but owing solely to a badly conceived imitation of the doings of merchants and manufacturers, that "the country rentlemen and farmers of Great Britain so far forgot the generosity which is natural to their station, as to demand the exclusive privilege of supplying their countrymen with corn and butchers'-meat."2

Smith's preference for agriculture and agriculturius need not be further insisted upon. Despite his own theory of division of labour, be still chrished a secret regard for the Physicocratic prejudice. He never subjected agriculture to the indignity of equal treatment along with other forms of economic activity. In his work at least it still retains its ancient pre-eminence.

## II: THE 'NATURALISM' AND 'OPTIMISM' OF SMITH

In addition to the conception of the economic world as a great natural community created by division of labour, we can distinguish in Smith's work two other fundamental ideas, around which his more

1 Ibid., Book IV, chapter ii; Vol. 1, p. 427.

<sup>1</sup> Wealth of Nations, Book I, chapter x, Fart II; Cannan, Vol. I, p. 128. The whole passage contains a curious eulogy of proprietors and farmers.

characteristic theories group themselves. First is the idea of the spontaneous origin of economic institutions, and secondly their beneficent character-or, more briefly, Smith's naturalism and optimism.

The two ideas, though frequently intermingled and sometimes even confused in Smith's work, must be carefully distinguished by the historian of economic thought

Spontaneity and beneficence were intimately connected for Smith. In the eighteenth century anything natural or spontaneous was immediately voted good, and the terms 'natural,' just,' and 'advantageous' were often used as synonymous. Smith did not escape the confusion of ideas. Having shown the natural origin of economic institutions, he imagined that at the same time he had demonstrated their useful and beneficent character.1 The confusion is no longer permissible. To give a scientific demonstration of the origin of social institutions and to gauge their value from the point of view of the general interest are two equally legitimate but very different intellectual pursuits. We may agree with Smith that our economic organizations, both in their origin and functions, participate of the spontaneity of natural organisms, but we may at the same time reserve judgment as to their real worth. Pessimism no less than optimism may be engendered by contemplation of the spontaneous character of economic institutions. While this conception of the spontaneity of economic institutions seems to us just and fruitful, the demonstration given of their beneficent character appears insufficient and doubtful. The former conception is a commonplace with all the greatest economists; the latter is rejected by the majority of them.

These two ideas which have played such an important part in the history of economic doctrines must be separately examined.

The conception of spontaneity is the one to which Smith refers most frequently. Il mondo va da se. Here at any rate he and the Physiocrats were entirely at one. There is no need for organization, no call for the intervention of any general will, however far-seeing or reasonable, and no necessity for any preliminary understanding between men. Such are the reflexions that the study of the economic world suggests ever anew to our author. The present aspect of the economic world is the result of the spontaneous action of millions of individuals, each of whom follows his own sweet will, taking no heed of others, but never doubting the ultimate result. The noble outlines of the economic world as we know it have been traced, not by following a plan issuing

<sup>&</sup>lt;sup>1</sup> For the connexion between Smith's system and the philosophy of his time see W. Hasbach, Dis allgemines philosophisches Craedlagen der von F. Quanty and A. Smith begründsten politisches Chenomu (Leipzig, 1890).

complete from the brain of an organizer and deliberately carried out by an intelligent society, but by the accumulation of numberles deeds designed by a crowd of individuals in obedience to an instinctive force wholly unconscious of the work which it was encompassing.

This idea of the spontaneous constitution of the economic world is in some aspects analogous to the conception of an 'economic law' of a later period. Both ideas suggest the presence of something superior to individual wills, and imposed upon them even despite their resistance. The differences are equally marked, however, the scope of the former being far greater than that of the latter. The words 'natural law,' in the first place, suggest regularity and repetition—the constant recurrence of the same phenomena under similar conditions. This is not the aspect that particularly struck Smith. He insists less upon the constancy of economic phenomena and more on their spontaneity, their instinctive and natural character. Say's delight was to compare the economic and the physical worlds. Smith loves to regard the economic world as a living organism which creates for itself its own indispensable organs. Nowhere is the term 'economic law' employed. but his delineation of the chief economic institutions and the account of their functions always results in the same conclusion.

First of all take division of labour, which we have just studied, and which more than any other institution contributes to the increase of wealth.

This marvellous institution is "not originally the effect of any human wisdom, which forerees and intends that general opulence to which it gives occasion." "It is the necessary, though very slow and gradual, consequence of a certain propensity in human nature which has in view no such extensive utility; the propensity to truck, batter, and exchange one thing for another." This tendency itself is the outcome of personal interest.

Man has almost constant occasion for the help of his brethren, and it is in vain for him to expect it from their betweethere only. He will be more likely to prevail if he can interest their self-love in his favorp, and show them that it is for their advantage to do for him what he requires of them. Whoever offers to another a bargain of any kind, proposes to do this: Give me that which I want, and you shall have this which you want, is the meaning of every such offer; and it is in this manner that we obtain from one another the far greater part of those good offices which we stand in need of. It is not from the benevolence of the butcher, the brewer, or the baker that we expect our dinner, but from their regard to their own interest. We address ounselves, not to their humanity,

<sup>1</sup> Wealth of Nations, Book I, chapter ii; Cannan, Vol. I, p. 15.

but to their self-love, and never talk to them of our own necessities, but of their advantages?

This gives rise to exchange, and with exchange comes division of

And thus the certainty of being able to exchange all that surplus part of the produce of his own labour, which is over and above his own consumption, for such parts of the produce of other meal labour as he may have occasion for, encourages every man to apply himself to a particular occupation, and to cultivate and bring to perfection whatever talent or genus he may possess for that particular species of husiness.

Division of labour is the outcome of a tendency common to all menthe tendency to barter; and this tendency itself is spontaneously developed under the influence of personal interest, which acts simultaneously for the benefit of each and all.

taneously for the benefit of each and all.

Next comes money, and nothing has so facilitated exchange or so
greatly increased wealth. Every economic treatise since Smith's has
how did money first come to be employed? It was not by the act of
a public body, nor was it the outcome of a nation's reflective judgment.
It is simply the result of the operation of a collective instinct. Some
men who were keener than others saw the inconveniences of the truck
system. And

in order to avoid the inconveniency of such situations, every prudent man in every period of society, after the first establishment of the division of labour, must naturally have endeavoured to manage his affairs in such a manner, as to have at all times by him, besides the peculiar produce of his own industry, a certain quantity of some one commodity or other, such as he imagined few people would be likely to relise in exchange for the produce of their industry.

Money is thus the product of the simultaneous though not concerted action of a great number of people, each obeying his personal inclination. The intervention of the public authority is much later, and is object is merely to guarantee by means of a design the weight and purity of such coins as are already in circulation.

Take another well-known phenomenon-capital. With the excep-

<sup>&</sup>lt;sup>2</sup> The whole passage, almost word for word, may be found in Smith's course of lectures at Glascow, and was itself taken from Mandeville's Fable des Abrillet. [ 5]

Wealth of Nations, Book 1, chapter w; Cannan, Vol. 1, pp. 24-25.
For a long time economists were quite content with Smith's theory of capital.
Like other portions of has work, it reads/y became chaste, and subsequent writers amply repeated it. To-day, however, this success hardly seems to have been warranted. "It can scarcely be denied," writes Cannan, "that Smith left the vhole unified of explaint in the most unsatisfactory state." (Clearies of Productions of Dumbies

tion of division of labour and the invention of money, Smith thought there was no phenomenon of greater importance and no more essential fount of national wealth than capital. Whe larger the store of capital, the ereater the number of productive workers, makers of tools and machinery-the essentials of increased productivity-the further will division of labour extend. To increase a nation's capital is to expand its industry and to further its well-being.1 In some passages the growth of wealth appears not merely as the chief but as the only method of augmenting a nation's wealth. "The industry of the society can augment only in proportion as its capital augments, and its capital can augment only in proportion to what can be gradually saved out of its revenue."s In short, capital limits industry, a phrase that was destined to become classic, and one that was repeated by every economist down to Mill. Capital is the true source of economic life. Let capital increase and industry will expand in every direction; diminish it, and a har is set to all improvement. Capital fertilizes the earth,

whereas the labour of man simply leaves it a weary waste.

Criticism has been freely levelled at this exaggerated importance

which capital is made to assume. It is certainly somewhat curious hos, p. 84) If this remark needs any justification we have it in the many discussions which have taken place on this subsect during the past, and which are not yet at an end. Some of the most original works of the last century-Bolum-Bawerk's Pontice Theory of Capital, for example-are entirely taken up with this topic. In England, America, and Italy the best-known economists, Cannan, Fisher, and Pareto, have recently revived the ancient notions, and the discussions which have followed are sufficient evidence that South had by no means exhausted the subject. If we carefully read Book II of the Wealth of Nations, which is entirely devoted to this topic, what do we find? We have a distinction drawn between fixed and circulating capital borrowed from practical affairs, but possessing no great scientific value; the very doubtful identification of national capital with the sum of private capitals; a very unsatisfactory attempt at differentiating between the notions of capital and revenue: the affirmation that saving involves consumption, a paradox repeated ad nausam down to the days of Mill; the commonplace statement that capital increases as saving grows; and, finally, the proposition that "capital limits industry "

were use taxys of Mait; the commonplex statement that captal increases as a toning proving and, finally, the proposation than the "captal lambin reductive." The annual produce of the land and labour of any nation can be increased in its value by no other means, but y increasing either the number of an productive labourers, or the productive powers of these labourers who had before been employed. The number of the productive powers of the salowers who had before been employed. The number of the productive powers of the salowers who had before been employed. But in consequence of the contract of the finester between the contract of the productive powers of the same number of labourers cannot be increased, but in consequence either of some addition and improvement to these machines and instruction of the productive powers of the same number of a labourer to these machines and instruction of the productive powers of the same number of a flabourer to these machines and instruction of the productive powers of the same number of a more proper division and daturbance of the productive powers of the same number of a more proper division and daturbance of the productive powers of the same number of a more proper division and daturbance of the productive powers of the same number of a more proper division and daturbance of the productive powers of the same number of a more proper division and daturbance of the productive powers of the same number of a more proper division and daturbance of the productive powers of the same number of a more proper division and daturbance of the productive powers of the same number of the productive powers of the same number of the same

"The general industry of the society never can exceed what the capital of the society can employ." (Ibal, Book IV, chapter u; Vol. I, p. 419) John Stuart Mill was the first to employ the formula in its condensed form, "Industry is limited by capital."

that labour should now be treated as altogether subordinate to capital, whereas earlier in the volume labour alone was regarded as the great wealth-producing agent. But we are not here concerned with the 'revival of these threadbare controversies.\(^1\) We merely wish to note that Smith finds in this accumulation of capital a new illustration of spontaneity. The saving of capital is not the result of any foreight on the part of society, but is solely due to the simultaneous and concurrent actions of thousands of individuals. These individuals, urged on by a desire to better their situation, are spontaneously urged to save their carrings and to employ those savings productively.

comes with us from the womb, and never leaves us till we go into the grave. — An augmentation of fortune is the means by which the greater part of men propose and wish to better their condition. It is the means the most vulgar and the most obvious; and the most likely way of augmenting their fortune, is to save and accumulate some part of what they acquire.

The principle which prompts to save, is the desire of bettering our condition, a desire which, though generally calm and dispassionate,

This desire is so powerful that even the greatest follies perpetrated by governments have never succeeded in annulling its beneficial effects.

The uniform, constant, and uninterrupted effort of every man to better his condition, the principle from which public and national as well as private opulence is originally derived, is frequently powerful enough to maintain the natural progress of things toward improvement, in spite both of the extravagance of government, and of the greatest errors of administration. Like the unknown principle of animal life, if frequently restores health and vigour to the constitution, in spite, not only of the disease, but of the absurd prescriptions of the doctor.

But the idea of the spontaneity of economic institutions finds its most interesting illustration in the theory of demand and supply, upon which we must dwell a little.

In a society based upon division of labour, where every one produces for a market without previous arrangement with his fellow producers

for a market without previous arrangement with his fellow product.

We have spoken of the controversies a threadbare, for every economic is by the time persuaded that, assuming the necessity for the co-operation of capital, land, and labour in production, it is quite clear that the amount of produce risied must depend upon the amount of each of these factors employed, and not upon the amount of any one of them.

one of them.

Smith had anticipated the arguments advanced by nich socialists as Rodberma.

Smith had anticipated when grade than labour as the source of capital. "Paniand Lassalle, who regard saving rather than labour as the source of capital. "Panimany and the social capital saving and the social saving and the sa

\* Bid., Book II, chapter in; Vol I, pp 323, 324, 325.

and without any external direction, the great difficulty lies in the adapting of the amount of goods supplied to the amount demanded. How, as a matter of fact, are these producers to know at any particular moment what they ought to produce and in what quantities? Moreover, who is to direct and who can restrain them? It is true that Smith was careful to point out that they are not concerned with the satisfaction of all needs, of whatever kind they may be. Their duty lies towards what he calls the "effectual," not the "absolute." demand. By effectual demand we are to understand the demand of those who are capable of offering not merely something in exchange for the products which they desire, but of offering at least enough to cover the expenses of raising those products.1 Society founded upon division of labour and exchange implies that nothing can be gratuitous and every loss involves a sacrifice on the part of some person or other. But if production is carried on in this haphazard fashion how are we to avoid an occasional over-production or an accidental under-

supply?

Before we can understand this we must acquaint ourselves with Adam Smith's theory of prices.

The proceeding chapter we had occasion to note how Condillac [4].

In the preceding chapter we had occasion to note how Condillac [4].

In 1796 put forward a theory of value which was allogether superior to the Physiorests'. Smith's book, also published in 1796, betray to it, to the Physiorests'. Smith's book, also published in 1796, betray new professions. The very neuces of the Wields of Wielson and Condillac's influence, and the new theory never comes by for discussion. The very neuces of the Wields of Wielson and eclipsed the fame of the Trench philosopher, and Smith's theory, though quite inferior to Condillac's held the field for un many very simple the evanse.

I Nieth of Asiess, Book I, chapter vs., Cannas, Vol. I, p. 8. "The masket price over particular commodity is regulated by the properties between the quantity which is actually brought to market and the demonstratement between the pulsary which is actually brought to market and the demonstrate between the budget of the period price of the commodity, or the whole sales of the error, budget of profit, which must be past in order to being it shilders. Such people may be called the effectual domanders, and there demand the effectual domand, since it may be inflicient to effectuate the branging of the commodity to market. It is different from the absolute domand. Avery power man may be aslid in some stress to have a domand for a rorsh and six; be might his to have it, but hardemend a not no effectual domand, such be commodity can never be brought to market and overty to said; and

For South oppersoon meant the lyramp cuber of predicers or consumers. When profits are above the normal are "in a preof that something is other bought therepe or odd dearer than at ought to be, and that some particular class of cubicras in more or less oppersond either by paying more or by griting has than shat in south to that equality which ought to take place, and which marrially does take place. As the profit of th

The correspondence between selling price and the cost of production served to Smith to be of the very essence of justice. Complete correspondence would realise the bleaf of the just price. it won the allegiance of the English economists, whose fellus paramount throughout the first hilf of the nineteenth cent popularity only waned with the publication of the works of Jesons, and Menger Its historic interest is further enhance fact that it had the singular good fortune to win the approxithe socialists and the Laberal economists. It is the fate of w Smuth, remarkable for wealth of ideas rather than for logical tion, to impel minds along different and sometimes ever paths. Unfortunately the theory of value is not the only presents a somewhat hazy outline. We cannot here entidetails of the theory, but must content ourselves with a r of it. Even thu, however, will immediately enable us to its insufficiency, and appreciate the twofold influence which

Smith opens his treatment by emphasizing the fund upon subsequent doctrines. tinction which exists between 'value in use' and 'value in By value in use he means almost exactly what we us utility, or what other writers call subjective value, d Present-day economists when treating of prices—the e ophelimity.

of things chiefly rely upon this conception of 'value explanation of the 'ratio of exchange' of commodities i previous analysis of their utility for those who exchang proceeds in a different fashion. 'Value in use' is ment for the purpose of contrasting it with value in exchadismissed without further consideration. The two i have no point of contact. Value in exchange was th

1 Wealth of Nanous, Book I, chapter 19; Cannan, Vol. I, p. 30, known. "The word value, it is to be observed, has two diff-known." sometimes expresses the utility of some particular object, and i onneumes expresses use usury or some paruturar outers, and of purchasing other goods which the possession of that object co pe called, Asine in use, the other, Asine in exchange. The q greatest value in use, and other value in exchange, and or greatest value in use have frequently little or no value in es contrary, those which have the greatest value in exchange ha continct, time when have the greatest value in exchange has no value in use. Nothing it more useful than water: but it wil thing; scarce anything can be had in exchange for it. A dian unug, scarce anyuning can be than in exchange for it. A disk has scarce any value in use; but a very great quantity of other

The statement has been qualified because in the passage to define utility in the vulgar sense (1 e. utility as contrasted w be had in exchange for it." This want of exactness was corrected by Ricardo, and is the aria wans or exacuses was corrected by Nicatus, and a servician by Mill. The following passage from his Lectures was of any interest to Smith; hence there was all the more reason for

denying its derivative character.1 Thus from the very first the only avenue that might have led to a satisfactory solution of this problem of prices was closed. One could easily have predicted that this was bound to land Smith in difficulty; as a matter of fact he is doubly involved.2 Two different but equally erroneous solutions have been successively adopted by him, but he has never actually decided between them. The socialists and economists who are to follow will be engaged in the same task, and the cleavage between them will be marked by their adoption of one or other of these two theories.

Smith was led to the study of prices because he wished to know something of the constant oscillation which is such a feature of their history. The actual or market price is unstable because of the unstable connexion between demand and supply, or, as he puts it, "It is adjusted, however, not by any accurate measure, but by the higgling and barraining of the market, according to that sort of rough conslity which, though not exact, is sufficient for carrying on the business of common life."4 It seemed impossible that their perpetual fluctuation should represent the true value of the commodity. Its real value could not vary from this moment to the next or from one place to another Underneath the constantly oscillating market price may be discerned another price, referred to by Smith as the real or sometimes as the natural price. The discovery of a more stable and a more constant element beneath the continual fluctuations of price movements still constitutes the great problem of pure economics.

Smith's first theory makes the true value of any commodity depend upon the amount of labour or effort which it has taken to produce Labour, therefore, is the real measure of the exchangeable value of all

<sup>1</sup> The radical separation of the two ideas was perhaps more a matter of expression than of reasoning, for in his Lectures on Justice, p. 176, value in use, coupled with the purchasing power possessed by those who desired the commodity, was regarded as one of the elements which determined the demand for it and fixed its market price. The whole discussion of the theory of value by Smith is very unsatisfactory,

We ought perhaps to have said that he had to choose between three possible definitions, for in the Lectures on Justice we find a third definition of 'natural price'

<sup>\*\*</sup>Semmons, re.

\*\*J\*\*Pathi of Antanes, Book I, chapter vii; Cannan, Vol. I, p. 58

\*\*J\*\*Pathi of Antanes, Book I, chapter vii; Cannan, Vol. I, p. 59

\*\*J\*\*Bod, Book I, chapter v; Vol. I, p. 53

\*\*J\*\*Parcio in his recent article I\*\*Classmus et is Societage as pend de ou scientifique

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(Bauta di Scienza, 1507, No. 9) expresses and place and dependent upon an infinite number of circumstances, is there nothing which has any constancy or is in any degree less variable? This is the problem that political economy must solve."

commodities." "The real price of every thing, what every thing real costs to the man who wants to acquire it, is the toil and trouble acquiring it." Mabour—that is, the effort expended upon the pri duction of a commodity—is both the origin and the measure of i exchange value? The theory that labour or effort is the cause of valid value can be said to have a cause was first formulated by the fathe of political economy himself. Units curious to think that it was this same theory that was used with such good effect by. Karl Marx in his attack upon capitalism.

This first attempt to find a firmer foundation for exchange value than that afforded by the shifting sands of demand and supply we scarcely made before Smith became aware of some difficulties in the path. For example, how was this work and the value dependent upon it to be measured?

There may be more labour in an hour's hard work than in two control early using a specification to a trade which it cost ten years' labour to learn, than in a month's industry at an ordinary and obvious employment. But it is not easy to find any accurate measure either of hardship or ingenuity.<sup>2</sup>

A second objection arises when the theory is applied to civilized society. Work by itself cannot produce anything; something must be contributed by both land and capital. But neither of these is a free good, and they must cost something to those who employ then. Accordingly primitive societies are the only ones where "the quantity of labour commonly employed in acquiring or producing any commodity" is the only circumstance determining its value. We must nowadays take some account of land and capital. So that labour is not the only source of value, nor is it its sole measure.

Another hypothesis becomes necessary forthwith. This jime cost of production is hit upon as the likely regulator of value. Withfirito the 'real' price, has signified the price that is based upon labour. Now the 'natural' price is defined as the price of goods valued at their cost of production. The change of name is not of any great significance. What Smith was in search of on both occasions was that true value

<sup>&</sup>lt;sup>3</sup> Wealth of Nation, Book I, chapter v; Cannan, Vol. I, p. 32. In this passing Smith serms to imply that the value of an object is determined, not by the amount of about which it can to produce it, but by the amount of about which can be within the case of the control of the control of about which can be controlled by the mode of the controlled by the controlled by the controlled before which the first value of the controlled by the best of the controlled by the controlled b

<sup>\*</sup> Did , Book I, chapter v; Vol. I, p. 92

Del, Book I, chapter vi, Val I, pp. 49-50.

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which always kept in hiding behind the fluctuations of market prices. It is the same problem, but with a new solution. Just now we were informed that if a commodity sold at a price representing the labour which it cost to produce, that price would also represent its real cost. With no less assurance we are now told that a commodity sold at cost of production "is then sold precisely for what it is worth, or for what it really costs the person who brings it to market." The true value of goods corresponds to their cost of production. By this we are to understand a sum sufficient to pay at normal rates the wages of labour, the interest of capital, and the rent of land, all of which have collaborated in the production of the particular commodity.

the interest of capital, and the rent of land, all of which have collaborated in the production of the particular commodity. Smith, having discarded labour, finds a new determinant of value in cost of production, and if socialists rallied to his first hypothesis the great majority of economists right up to Jevora have clung to his second. As for Smith himself, he never had the courage to choose between them.) They remain juxtaposed in the Wealth of Nations because he never made up his mind which to adopt. As a result his work is full of contradictions which it would be futile to try to reconcile. For example, land and capital in one place are regarded as sources of new values, adding to and increasing the value which labour creates, and producing normally an element of profit and rent, which, together with the wages of labour, makes up the cost of productions In another connexion they are treated as deductions made by capitalists and landlords from the value created by labour alone.\(^1\) Some writers

<sup>1</sup> Wealth of Nations, Book I, chapter vii; Cannan, vol I, p. 57. <sup>2</sup> Ibid., Book I, chapter vi; Vol. I, p 51 Here, for example, is a passage in which, as Böhm-Bawerk forcibly remarks (Kapital and Kapitalian), and ed., 1900, p. 84), the two conceptions are found to juxtaposition without any attempt at reconciliation; "In this state of things [where labour and capital have already been appropriated] the whole produce of labour does not always belong to the labourer. He must in most cases there it with the owner of the stock which employs him. Neither is the quantity of labour commonly employed in acquiring or producing any commodity, the only circumstance which can regulate the quantity which it ought commonly to purchase, command, or exchange for. An additional quantity, it is evident, must be due for the profits of the stock which advanced the wages and furnished the materials of that labour." At the beginning of the passage the workman shared the produce of his labour and profits constituted a deduction from the value created by labour alone. at the end of the paragraph profits issue from a supplementary value which is an addition to the value already given it by labour. Other passages where the two conceptions come into contact are also cited by Böhm-Bawerk. Interest and rent are also occasionally taken as evidence that the workman is being exploited, and this entitles Smith to be regarded as the father of socialism. More than one passage in his work seems to point to this conclusion. "In other countries, rent and profit eat up wages, and the two superior orders of people oppress the inferior one." (Book IV. chapter va. Part II; Vol. II, p 67.) Concerning property he writes: "Civil government, so far as it is instituted for the security of property, is in reality instituted for the defence of the rich against the poor, or of those who have some property against

accordingly argue that Smith must have been a socialist. On the whole the cost of production theory prevailed, and the natural price of commodities is taken to mean that price which coincides with their cost of production. As to market price, he makes the remark that is is higher or lower than the natural price according as the quantity offered diminishes or increases as compared with the quantity demanded.

Such is Smith's theory of prices. The element of truth which it contains, namely, that the prices of goods tend to coincide with their cost of production (the remark is not originally Smith's at all), must not blind us to its many faults. It is open to at least two very serious objections.

An attempt is made to explain the price of goods by referring to the price of the services (wages, interest, and rent) which make up the cost of production. When the cost of those services comes up for consideration it is assumed that their cost is dependent upon the price of the goods. Wages, for example, are determined by the selling price of the commodities which labour has produced. Escape from the vicious circle is only possible by availing ourselves of the modern theory of economic equilibrium. That theory shows us how price generally, whether of goods or of services, are interdependent; all being determined simultaneously—like the unknown in an algebraical formula—just when the exchange is taking place. But this theory of economic equilibrium was 70 course, unknown to 5 mid.

Cost of production being the regulator of price, it is very important that an analysis of cost of production and a study of the causes which determine the rates of wages, profit, and rent should be made. One might have expected that this study would have cleared away any obscurity that still clung to the theory of prices. But this analysis in one of the least satisfactory portions of Smith's work. We have already had occasion to note the unsatisfactory character of his theory of rent.

those who have none at all." (Book V, chapter i, Part II; Val. II, p. 9.7), and finally there is the famous passage from the such chapter. "As no an at he land of an another than the such chapter is the famous and the land of the control of the land of the l

That of profits—which Smith falls to distinguish from interest—is qually uscless; and his theory of wages is hopelessly inconsistent. It he heistates between the subsistence theory of wages and the other sheory which makes them depend upon the relations between demand and supply, without ever making a final choicy.

We cannot agree with Say in considering Smith's theory of distribution one of his best claims to farme. His treatment of this problem, which afterwards became the kernel of Ricardian economics, is altogether inferior to his handling of production. We also know that this is the least original part of his work. It was simply added as a kind of afterthought, the original intention being to deal only with production. This becomes evident if we compare the Wealth of Nations with the Glasgow course of 1763, the whole of which is devoted to production. The addition of a theory of distribution to the original skeleton was probably due to the Physiocrats, with whom in the reantime he had become acquainted; and the hesitations and uncertainties which mar this part of the work merely go to prove that Smith had not thought it out as clearly as the other sections.

The subject cannot be pursued here. We can only point to the inference which Smith draws from his theory of value, and how it is made to support the contention that demand adapts itself spontaneously to the conditions of supply. This is how Smith explains the continual oscillation of prices.

When the quantity brought to market exceeds the effectual demand, it cannot be all sold to those who are willing to pay the whole value of the rent, wages and profit, which must be paid in order to bring it thither. Some part must be sold to those who are willing to pay less, and the low price which they give for it must reduce the price of the whole. The market price will sink more or less below the natural price according as the greatness of the excess increases more or less the competition of the sellers, or according as it happens to be more or less important to them to get immediately rid of the commodity.

The reverse will happen when demand exceeds supply.

When the quantity brought to market is just sufficient to supply the effectual demand and no more, the market price naturally comes to be either exactly, or as nearly as can be judged of, the same with the natural price. The whole quantity upon hand can be supply to the property of the price of the market of the The competition of the different dealers of the supply to accept of this price, but does not oblige them to accept of fess.

<sup>1</sup> G. supra, p. 82, note 1.

Thus "the quantity of every commodity brought to market naturally suits itself to the effectual demand."

And this very remarkable result is simply the outcome of personal interest

If at any time it exceeds the effectual demand, some of the com-ponent parts of its price must be paid below their natural rate. If it is rent, the interest of the landlords will immediately prompt them to withdraw a part of their land; and if it is wages or profit, the interest of the labourers in the one case, and of their employers in the other, will prompt them to withdraw a part of their labour or stock from this employment. The quantity brought to market will soon be no more than sufficient to supply the effectual demand. All the different parts of its price will rise to their natural rate, and the whole price to the natural price.

And so, in the majority of cases at least, this natural and spontaneous mechanism secures a constant balancing of the quantities of goods produced and the quantities effectively demanded. The circumstances under which such a result does not follow are really quite exceptional-although Smith does not deny that sometimes they do exist. Whenever such conditions obtain-that is, when the market price remains for a considerable length of time above the natural price-we find that it is always due to the capitalists' action in concealing the high rate of profits which they draw, or in retaining possession of some patent or natural monopoly, such as wine of a . special quality. It occasionally happens also as the result of an artificial monopoly. But these are mere exceptions, their rare occurrence confirming the fundamental rule concerning the spontaneous adaptation of the quantity offered to the quantity demanded, thanks to this oscillation of the market price about the natural.

This theory of adaptation, we know, is one of the most important in the whole of political economy. Since Smith wrote it has been reproduced by almost every economist, and without any very substantial alteration. It remains even to this day the basis of our theory of production.

It is interesting to note the manner in which Smith makes use of his theory to illustrate his thesis. We shall refer to two cases which are intrinsically important as well as affording admirable illustrations of that spontaneity upon which Smith laid such stress.

Wealth of Nations, Book I, chapter vit; Cannan, Vol. I, p. 59-Smith only gives at most seven or eight lines to monopoly price. He simply states that "the price of monopoly is upon every occasion the highest which can be got." (lbid., Book I, chapter vii; Vol. I, p. 63) To-day the theory of monopoly prices is one of the most important in the whole of economics.

The first concerns population. Population, like commodities, may be superabundant or it may be insufficient. What regulates its numbers? "The number of people," Smith replies,

depends upon the demand of society, and this is how it works. Among the profestariat, generally speaking, children are plentiful rough. It is only when wages are very low that poverty and misery cause the death of many of them; but when wages are fully high several of them manage to reach maturity.

"It deserves to be remarked, too," he continues,

that it necessarily does this as nearly as possible in the proportion which the demand for labour requires. If this demand is continually increasing, the reward of labour must necessarily encourage in such a manner the marriage and multiplication of labouters as may enable them to supply that continually increasing demand by a continually increasing population. If the reward should at any time be less than what was requisite for this purpose, the deficiency of hands would soon raise it; and if it should at any time be more, their excessive multiplication would soon lower it to this necessary rate. The market would be so much under-stocked with labour in the one case, and so much over-stocked in the other, as would soon force back its price to that proper rate which the circumstances of the society required. It is in this manner that the demand for men. like that for any other commodity, necessarily regulates the production of men; quickens it when it goes on too slowly, and stops it when it advances too fast 1

The second case relates to the demand for money and its supply. We have already seen how the problem of its origin is solved. Along-side of that problem is now placed another, namely, how is the quantity in circulation regulated to meet the requirements of exchange? Smith's first task was to expose the popular fallacy concerning this topic.\* According to one school of thinkers, money was wealth par excellence, and it was all the more important that he should get rid of this view seeing that it constituted the very foundation of the Mercantile theory, the overthrow of which was the immediate object in publishing the Wealth of Neitan. The Mercantillist contended that a country should export more than it imports, receiving the balance in money. If it can be proved that this balance is useless because money is a mere commodity possessing no greater and no less utility than any other, then the Mercantillist foundation is completely destroyed.

Wealth of Nations, Book I, chapter visi; Cannan, Vol. I, pp. 81-82.

<sup>&</sup>quot;That wealth consists in money, or in gold and silver, is a popular notion which naturally arises from the double function of money, as the instrument of commerce, and as the measure of value." [Wedlife of Notion, Book IV, chapter i; Cannan, Vol. I, p. 396.] The whole chapter is an attempt to get rid of this prejudee.

Smith thought that money was less indispo goods, seeing that we are anxious to pass it on disdain with which Smith regarded money wa against Mercantilism, and it led some of his folio his point of view and to misconceive the special phenomena. A nation's true wealth "consists, in its gold and silver only, but in its lands, ho goods of all different kinds," "It is the annual and labour of the society." revenue we must omit money, because it is not serves as an instrument for the circulation of v

measurement of value. It is the "great wheel of virtue of this title, although Smith himself classed circulating capital, he remarks that it might be lik capital of an industry, to machinery or workshops. economy in the use of fixed capital, provided there. in production, the better, for the larger will be the ne is equally true of money—a necessary but a very confi social production. "Every saving in the expense of supporting that part of the circulating capital which cor is an improvement of exactly the same kind" as that t the fixed capital of industry. This is why bank-notes—the circulation of which di

usnity of money needed—have proved such a preciou hat they do is to set free a certain quantity of gold and s Ay be sent abroad to pay for machinery and other int Hands of Actions, Bank IV, chapter t, Cannan, Vol. I, p. 416; also Box is but I, p. 874. "Though the weekly or yearly revenue of all the different on your 1, pa 27. Amough the weetly or yearly revenue of an ine conference of any country on the same manner, may be, and in reality decidently in p. on any country to use same manner, may be, and to restity requestry in an anomaly, they read racks, be very, the real workly or yearly received define Legislate, some always be great or small in proportion to the quantity. the party state at the purchase with the mean; In proportion to be quantity of them purchase with the mean. The whole

sawe pract which they can sai to them purchase with this money. He whom is all of them taken together is evaluatly not equal to both the money and we are we have chart segment per security and expense to cotaine money seemable parts, but early to care or other of those two values, to the latter more has not better.

We meet with the expression several times in the Introduction (Vol. 1, 6). had I classer at Part III (Vol. I, p. 240), and in Bok III, chapter in P. 11.521

\*An expression that is more with three times—in chapter is of Book II (5 P. 875, 875, 877 \* find , Kack II, shapers u, Vol. J. p. 875.

And these distincts so concerns breaking the first section of the contract of the factory of front factory desire as means of

THE "NATERALISM" AND "OPTIMISM" OF SMITH IOL

reduction, and which will in turn increase the true revenue of the ountry. Smith's parable in which he illustrates these advantages has ong since become classic:

The gold and silver money which circulates in any country may very properly be compared to a highway, which, while it circulates and carries to market all the grass and corn of the country, produces itself not a single pile of either. The judicious operations of banking, by providing, if I may be allowed so violent a metaphor, a sort of waggon-way through the air, enable the country to convert, as it were, a great part of its highways mor good pastures and produce of its lond and labour.

The conclusion is that every policy—the Mercantilist, for example —which aims at increasing the quantity of money within the country, whether by direct or indirect methods, is absurd, for money, far from being indispensable, is really an encumbrance.

It is not only absurd, but also uscless. Have we not seen already that money is a mere commodity designed to facilitate circulation and that the demand for it is entirely determined by that object? But the supply of any commodity usually adapts itself spontaneously to the demand for it. No one concerns himself with supplying the nation with wine or with crockery. Why trouble about money? If the quantity of good diminishes, exchange slackers and a part of the money becomes uscless. But the "interest of whoever possesses it requires that it should be employed." A Ecocordingly "it will, in spite of all laws and prohibitions, be sent abroad, and employed in purchasing crosumable goods which may be of some use at home."

On the other hand, as the prosperity of a nation grows it necessarily attracts the precious metals because a multiplucation of exchanges leads to a growing demand for money. These exportations and importations will depend, as Hund's had already shown, upon the relative cheappease or dearness of money. What is true of metallic money is also true of a special kind of money known as bank-notes. Smith has given us a vivid description of the functions of banks, and especially of the fortunes of the most famous bank of this period, the Bank of Amsterdam. This afforded him another opportunity of demonstrating how the quantity of notes offered spontaneously adapts used to the contract of the dependent of the properties of the contract of the properties of the contraction of the contract of the properties of the contract of the

<sup>1</sup> Wealth of Nations, Book II, chapter is; Cannan, Vol. I, p. 504.

Bid, Book IV, chapter i; Vol. I, pp. 402, 406.

Hume's treatment of the quantity theory of money in his essays on Money and The Balance of Trade is much clearer than Smith's.

circulation warrants prices will rise. Buying from foreign countries will be resorted to and the notes will be returned to the banks to be exchanged for gold and silver—the only international money. The banks clearly have no interest in issuing too many notes, because it involves a greater metallic reserve as the result of the more frequent demands for payment which they will have to face. Of course, "every particular banking company has not always understood or attended to its own particular interest, and the circulation has frequently been overstocked with paper money." But this does not affect the main principle, and we have one further proof of the spontaneous activity of the economic mechanism.

We have now reviewed some of Smith's principal themes, and we have seen how every phenomenon impresses him in the same fashion. Had space permitted we might have cited other examples all pointing to the same conclusion.2 This conception of spontaneity and wise beneficence is by no means the product of mere a priori thinking. It was no abstract theory that needed the backing of a rigid demonstration. It was a belief gradually borne in upon him in the course of his review of the economic field. This is characteristic of all his thought, and with every new vista we are reminded of it. The conclusion is hinted at again and again, and the impression left upon the reader's mind is that no other conclusion could ever be possible. Smith thought of the economic order as an organism—the creation of a thousand human wills unconscious of the end whither they are tending, but all , of them obedient to the impulse of one instinctive, powerful force. This force, the root of all economic activity, its constancy and uniformity triumphant over every artificial obstacle and giving unity to the whole system, what is it?

We have already encountered it on more than one occasion. It is personal interest, or, as Smith prefers to call it, "the natural effort of every individual to better his own condition." Hidden deep in the heart of every individual lies this essential spring of human life and social processes.

Doubtless it is not the only one. Smith is never exclusive. He knew

<sup>2</sup> Ibid., Book II, chapter iii; Vol. I, p. 323; Book IV, chapter v; Vol. II, p. 45 Book IV, chapter ix; Vol. II, p. 172.

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I Walfs of Nations, Book II, chapter ii: Cannan, Vol. I, p. 28;

For instance, a high rate of exchange ammodiately readjusts the commercial indetections of facilities. (Mrs. Book IV, chapter 1, p. 40c.) Heacher to indetections of facilities. (The govern of the processor of closies were not exactly sought by Jee. The govern of crossies, their decreevery and exploitation and this was undertaken without any preconceived plan, and in spite of the distances regulations imposed by European Governments. (Mrd. Book IV, chapter vii, Part II, Vol. II, 100, 90, 100).

THE "MATURALISM" AND "DETIMIES" OF SMITH

that there were other passions? besides self-interest, and he is not afraid of naming them, as when he attributes an economic revolution which had such beneficial effects as the emancipation of the rural classes to "the most childish vanity of proprietors." Neither did he omit to point out that personal interest is not equally strong in the breast of every one, and that there is the createst diversity in human motives. All this he had forgotten, according to some of his critics, while others charge him with the creation of the home economicus, a poor representation of reality and a mere automaton exclusively guided by material interests. Some one has remarked that if you add to this figure a tince of natriotism you have a faithful picture of the Englishman and Scotsman of his day. Had he been acquainted with Germans or Frenchmen, with their less sorded attachment to material rain, he might have judged differently. It may be that our reading of him is incorrect. He seems to have taken care to note that his remarks do not apply to all, but only to the generality of men. He continually recalls the fact that he is speaking of men of common understanding. or of those rifted with common prudence.4 He knew well enough that the principles of common prudence do not always govern the conduct of sory individual, but he was of ommon that they always influenced that of the majority of every class and order. His reasoning is applicable to men or many, and not to individuals in particular. Moreover, he does not deny that man may be unacquainted with or may even trainely ignore his own interest. We have just quoted a passage wherein he remarks that bankers who temporarily issue too many notes are at

that moment ignorant of their own interests. These reservations notwithstanding, and full account being taken of all the exceptions to the principles as laid down by Smith, it is still true to say that as a general thesis he considers "the natural effort of every individual to better his own condition"-that is, personal interest-as the fundamental psychological motive in political economy. Any reference to the case of business men who are really actuated by a desire to take general welfare as their guide in matters of conduct is treated with a measure of scepticism which it is difficult not to share.

<sup>&</sup>quot;I have never known much good done by those who affected to trade 1 " It is thus that the private interests and passons of individuals naturally dispose them to turn their stock towards the employments which in ordinary cases are most advantageous to the society." The word 'passions' was not inserted by chance. It occurs no less than three times on the same page. (Wealth of Nations, Book IV, chapter vii, Part III; Cannan, Vol. II, p. 129-)

Bid., Book III, chapter iv; Vol. I, pp 389, 390.
 Ibid., Book II, chapter i, is fac; Vol. I, p. 267.
 Book II, chapter iv, beginning of chapter; Vol. I, p. 332. Ibid , Book II, chapter ii; Vol. I, p. 278.

for the public good. It is an affectation, indeed, not very commo among merchants, and very few words need be employed in dissuad ing them from it."1 Not that sentiment does not play a part, and a important part, in the philosophy of Smith; but sentiment, or sympathy as he calls it, has the domain of morality for its own, while interest dominates that of economics. All his thinking led him to a firm belief in a spontaneous economic order founded and guided by self-interest

Comparison with the Physiocratic doctrine concerning the natura and essential order of societies is illuminating. To the Physiocrats the 'natural order' implied a system—an idea. It required a genius to discover it, and only an enlightened despotism could realize it. For Smith the 'spontaneous order' was a fact. It was not a thing to be brought into being. It already existed. It was doubtless held in check by a hundred imperfections, including, among others, the stupidity of human legislation. But it was triumphant over them all. Beneath the artificial constitution of society lay the natural constitution which completely dominated it.>This natural constitution, which for the Physiocrats was nothing more than an ideal, Smith discovered in actual operation, and he was able to describe its modus operandi. Political economy, which with Quesnay was nothing better than a system of rules and regulations, became in Smith's hands a natural science based upon the observation and analysis of existing facts. In a passage written in his usual lucid style Smith shows the superiority of his system over that of the Physiocrats.

Some speculative physicians seem to have imagined that the health of the human body could be preserved only by a certain precise regimen of diet and exercise, of which every, the smallest, violation necessarily occasioned some degree of disease or disorder proportioned to the degree of the violation. . . . Mr Quesnai, who was himself a physician, and a very speculative physician, seems to have entertained a notion of the same kind concerning the political body, and to have imagined that it would thrive and prosper only under a certain precise regimen, the exact regimen of perfect liberty and perfect justice. He seems not to have considered that in the political body, the natural effort which every man is continually making to better his own condition, is a principle of preservation capable of preventing and correcting, in many respects, the bad effects of a political economy in some degree both partial and oppressive. Such a political economy, though it no doubt retards more or less, is not always capable of stopping altogether the natural progress of a nation towards wealth and prosperity, and still 1 Wealth of Nations, Book IV, chapter ii; Cannan, Vol. I, p. 421. After having just said: "By pursuing his own interest, he frequently promotes that of the society more effectually than when he really intends to promote it."

<sup>9</sup> Ibid., Book IV, chapter v; Vol. II, p. 43.

less of making it to backwards. If a nation could not prosper without the enjoyment of perfect liberty and perfect justice, there is not in the world a nation which could ever have prospered. In the political body, however, the wisdom of nature has fortunately made ample provision for remedying many of the bad effects of the folly and injustice of man; in the same manner as it has done in the natural body, for remedying those of his sloth and intemperance.1

This passage leads us to his second thesis, namely, the excellence of these economic institutions. As we have already remarked, these two ideas of spontaneity and excellence, though confused by Smith, ought to be treated apart. His naturalism and optimism are inseparable. and both of them find expression in the same paragraph. The passage just quoted affords a proof of this. Personal interest not only creates and maintains the economic organism, but at the same time ensures a nation's progress towards wealth and prosperity. The institutions are not only natural, but are also beneficial. They interest him not merely as objects of scientific currosity, but also as the instruments of

public weal. Herein lies their chief attraction for him, for political economy to him was more of a practical art than a science.

But this is hardly emphatic enough. Natural economic institutions are not merely good; they are providential. Divine Providence has endowed man with a desire to better his condition, whence arises the 'natural' social organism: so that man, following where this desire leads, is really accomplishing the beneficent designs of God Himself. By pursuing his own interest, man "is in this as in many other cases" (he is writing now of the employment of capital) "led by an invisible hand to promote an end which was no part of his intention." The

Physiocrats could hardly have improved upon that,

We can scarcely share in his optimism to-day. But it has played too prominent a role in the history of ideas not to detain us for a moment. We must examine the arguments upon which it is based and endeavour to grasp their import.

Let us note, in the first place, that every example hitherto deduced with a view to proving the spontaneity of economic institutions at the same time furnishes a demonstration of the beneficial effects of personal interest. Owing to a coincidence by no means fortuitous every institution mentioned by Smith as owing its existence to the

1 Wealth of Nations, Book IV, chapter 1x, Cannan, Vol. II, p. 172

1 "The great object of the political reconomy of every country, is to increase the riches and power of that country." (Had, Book II, chapter v; Vol. I, p. 351.) The ex-pression "the political economy of every country," which Smith frequently employed. might be used in answer to writers such as Knses, who speak of the Universalism or Internationalism of Smith,

\* Ibid . Book IV, chapter it: Vol. I. p. 421.

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prevalence of action of this kind is at the same time favourable to economic progress. Division of labour, the invention of money, and the accumulation of capital are so many natural social facts that also increase wealth. The adaptation of demand and supply, the distribution of money according to the need for a circulating medium, the growth of population according to the demand for it, are so many spontaneous phenomena which ensure the efficient working of economic society. A perusal of Smith's work leaves us with the impression that these spontaneous institutions must also be the best.

snot that these spontaneous institutions must also be the best. The general proof of this thesis is scattered throughout the whole book. But there was one point especially upon which Smith was very anxious to show complete accord between public and private interest. This was in connexion with the investment of capital. In his opinion capital spontaneously seeks, and as spontaneously finds, the most favourable field for investment—most favourable, that is to say, to the interest of society in general. This proof at first sight seems to apply only to one special fact, but it really has a more general import. We know the great stress which Smith laid upon capital. Division of labour depends upon it, and so does the abundance or scarcity of produce. It determines the quantity of work and fixes the limit of population. To show that the investment of capital conforms to the general interest is to show that all production is organized in the manner most favourable to national prosperity.

Smith distinguishes between four methods of investing capital: in agriculture, in industry, in the wholesale and in the retail trades. Wholesale industry is further divided into three classes: domestic trade; foreign trade, furnishing the nation with foreign products; and carrying trade, which transports those goods from one country to another. Smith maintained that the order in which these various forms of activity were mentioned was also the order of their utility, agriculture being the most advantageous, industry the second-best, etc.

He also proposes two criteria for testing this hierarchy: (f) the quantity of productive labour put into operation by means of the capital employed by each; (2) the amount of exchange value annually added to the revenue by each of these employments. As we pust from agriculture to the other branches, the quantity of productive labour brought into operation and the amount of exchange value obtained gradually decreases, and with this decrease goes a diminishing utility for the country. Smith thought that a nation ought to employ its capital in the way he had suggested. It ought to give the preference to agriculture, and engage in the other branches only as its accumulation of canital permitted.

But this is precisely what the capitalists would do were they entirely ee. Every one of them, in fact, is interested in keeping his capital is near home as possible, with a view to better supervision. Only as last resource does he venture to engage in foreign commerce. Again, or among the industries carried on in his own country every capitast will preferably choose that which will result in the production of the reatest exchange value, seeing that his profit varies with the amount of his exchange value. His investments will accordingly be made in the order mentioned, an order which roughly corresponds to the greater or easer quantity of exchange values produced by each industry. And mally, when contemplating investment in foreign trade he will for the me reason follow the order specified above—the order of greatest general utility. Thus the double desire of keeping one's capital within one's reach and of finding for it the most locrative field of investment eads every capitalist to employ his capital in the fashion which is most

advantageous for the nation. Such is the argument, whatever its value. Even if we adopted his criteria it is obvious that his classification is altogether too arbitrary. How, for example, can we justify the statement that an industrial enterprise or the carrying trade employs less capital than agriculture? The exact contrary would be nearer the truth, and agriculture ought to be given a much more modest position. Moreover, the conception of such a hierarchy does not accord very well with the theory of division of labour, which seeks to put the various forms of human activity more nearly on an equality.

As a matter of fact we cannot even accept a criterion which takes the amount of exchange values furnished by an industry as the test of its social utility. This increase in the quantity of exchange values simply proves that the demand for the goods concerned is stronger than the demand for some others. When capital flows into certain industries it only points to the spontaneous satisfaction of social demand. But social demand and social utility are not necessarily the same. Demand is the outcome of human desires, and its intensity depends upon the revenue drawn by the individual. But we can neither regard these desires in themselves nor the system of distribution that makes such desires 'effective' as sufficient tests of social utility, And to say that production follows demand is to prove nothing at all. Smith himself seems to have realized this; hence his other criterionthe quantity of productive labour employed by capital. According to this test those industries that employ the least amount of machinery and the greatest amount of hand labour are the most useful-quite an untenable view.

A demonstration of a somewhat similar character has been attempted

by the Hedonitic school. They have shown how free competition always tends to direct production into such channels as will result in maximum utility, or, in other words, that it affords the best method of satisfying the actual demands of the market. But they have been very careful to note that social utility and ophelimity are two very different expressions that must never be confused, and they admit that they have failed to find any scientific test of social utility.

Smith's argument is unsatisfactory, and its foundation untrustworthy. We do not forget that his optimism is based not so much upon this specious demonstration as upon the great number of observations which he had occasion to make in the course of his work. This idea of a harmony between private interest and the general wellbeing of a society was not put forward as a rigidly demonstrable a priori theory, open to no exceptions. It was rather a general view of the whole position-the conclusion drawn from repeated observations, the résumé of a detailed inquiry which had covered every corner of the economic field. A particular process of reasoning may have helped to confirm this conclusion, but the reasoning itself was largely based upon experience, the universal experience of history. It was the study of this experience that led to the discovery of a 'vital' principle of health and progress in the 'body social.' Smith would have been the first to oppose the incorporation of his belief in any dogma. He was content to say that "most frequently" and in a "majority of cases" general interest was satisfied by the spontaneous action of private interest. He was also the first to point out instances—in the case of merchants and manufacturers, for example—where the particular and the general interest came into conflict. We might cite many characteristic passages in which he takes pains to qualify his optimism. Absolute his optimism was not, neither was it universal. In fact,

Absolute his optimism was not, neither was it universal. In 18rt, it would not be difficult to prove that it was never intended to apply to anything other than production. Nowhere does the great Scot economist pretend that the present distribution of wealth is the justest possible—a trait that distinguishes him from the optimists of Bustiat's school. His optimism deserted him when he reached that portion of his subject. On the contrary, he showed that landed proprietors as well as capitalists "love to reap where they have not sown," that inequalities in social position give masters an advantage in bargaining with their men. In more than one passage he speaks of interest and

<sup>1</sup> Wealth of Naneur, Book I, chapter viii; Cannan, Vol. I, p. 63. The masters power the advantage in discussion (i) because they can combine much more early because, thanks to their superior funds, they can afford to wait while "many orthon could not subsit a week, few could subsit a month, and searce any a year without employment."

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ent as deductions from the produce of labour. 1 Smith, indeed, might vell be regarded as a forerunner of socialism. There is no difficulty n believing, so far as the experience of old countries goes, that "rent and profit eat up wages and the two superior orders of people oppress he inferior one "1

It is especially important that we should make a note of the opinions If those people who think that Smith intended his optimism to extend to distribution as well as to production. As a matter of fact he was too level-headed to entertain any such idea. Even Say himself in the last edition of his Treatise expresses some doubts as to the county of the present system of distribution.\* Smith was not really concerned with the question at all. It is only at a much later date, when the socialists had demonstrated the importance of the problem, that we hear of this belief in the beneficence of economic institutions. It really represents a reaction against the socialistic teaching and an attempt at a justification of the present methods of distribution.

We must beware of confusing Smith's optimism with that of modern Hedonism, or of identifying it with Bastiat's answer to the socialists. It lacks the scientific precision of the one and has none of the apologetic long of the other. It is little more than a reflection prompted by the too naive confidence of the eighteenth century in the bounty of 'nature,' and an expression of profound conviction rather than the conclusion of a logical argument.

## III: ECONOMIC LIBERTY AND INTERNATIONAL TRADE

The practical conclusion to which naturalism leads and to which Smith's optimism points is economic liberty. So naturally does it proceed from what we have just said that the reader finds himself quite prepared for Smith's celebrated phrases:

All systems either of preference or of restraint, therefore, being thus completely taken away, the obvious and simple system of natural liberty establishes itself of its own accord. Every man, as long as he does not violate the laws of justice, is left perfectly free to pursue his own interest his own way, and to bring both his industry and capital into competition with those of any other man, or order of men

As to the Government, or "sovereign," as Smith calls him, "he is

<sup>1</sup> C/ Papers, p. 93-

Would of Nanou, Book IV, chapter vii, Part II, the beginning, Vol. II, p. 67. Say, speaking of the working clauses, remarks: "Are we quite certain that the wreaman obtains that share of wealth which is exactly proportioned to the amount

which he has contributed to production" (Treatur, 6th ed., p. 116.) 11

completely discharged from a duty, in the attempting to perform which he must always be exposed to innumerable delusions, and for the proper performance of which no human wisdom or knowledge could ever be sufficient; the duty of superintending the industry of private people, and of directing it towards the employments most suitable to the interests of the society."

Smith, following the Physiocrats, but in a more comprehensive and scientific fashion, finds himself driven to the same conclusion, namely, the wisdom of non-intervention by the State in matters economic.

But here, as elsewhere in his work, the sense of the positive and the concrete, so remarkable in Smith, prevents his being content with a general demonstration. He is not satisfied with proving the inefficiency of intervention as compared with the efficiency of those institutions which are spontaneously created by society itself, but he attempts to show that the State, by its very nature, is unfitted for economic functions. His arguments have been the arsenal from which the opponents of State intervention have been supplied with ammunition ever since.

Let us briefly recall them.

"No two characters seem more inconsistent than those of trader and sovereign." Governments are "always, and without any exception, the greatest spenditrilis in the society." The reasons for this are numerous. In the first place, they employ money which has been gained by others, and one is always more prodigal of the wealth of others than of one's own. Moreover, the Government is too far removed from the centres of particular industries to give them that minute attention which they deserve if they are going to prosper.

The attention of the sovereign can be at hets but a very general and vaque contideration of what is likely to contribute to the better cultivation of the greater part of his dominions. The attention of the landlord is a particular and munute consideration of what is likely, to be the most advantageous application of every inch of ground upon his estate. §

This necessity for a thorough cultivation of the soil and for the best employment of capital, for direct and careful superintendence, is an idea to which he continually reverts. He regrets, among other things, that the growth of public debts causes a portion of the land and the

a Wealth of Nations, Book IV, chapter ix, in fine; Cannan, Vol. II, p. 184.

2334, Book V, chapter ii, Part I; Vol. II, p. 904. He makes exception only of the
post-office, "perhaps the only mercantile project which has been ruccessfully managed
by, I believe, every sort of government." (P. 393)

Bid., Book II, chapter in; Vol. I, p. 328.
 Bid., Book V, chapter ii, Part II, art. 1; Vol. II, p. 318.

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national capital to pass into the hands of fund-holders, who are doubtess interested in the good administration of a country, but "are not interested in the good condition of any particular portion of land. or in the good management of any particular portion of capital stock "L

Lastly, the State is an inefficient administrator because its agents are negligent and thriftless, not being directly interested in administration, but paid out of public funds. Should the administration of the land pass into the hands of the State he exclaims that not a fourth of the present produce would ever be raised, because of "the negligent, expensive, and oppressive management of his factors and agents." On the contrary, he proposes that the remainder of the common land should be distributed among individuals. On this point European Governments have followed his advice somewhat too closely.9 For the same reason-the necessity for stimulating personal interest wherever possible-he commends, instead of a fixed salary for public officers, payment by those who benefit by their services, such payment in every case to be in strict proportion to the zeal and activity displayed. This was to apply, for example, to judges and professors.

State administration is accordingly a pis aller, and intervention ought to be strictly limited to those cases in which individual action is impossible. Smith recognizes three functions only which the State can perform-namely, the administration of justice, defence,

and, thirdly, the duty of erecting and maintaining certain public works and certain public institutions, which it can never be for the interest of any individual, or small number of individuals, to erect and maintain; because the profit could never repay the expence to any individual or small number of individuals, though it may frequently do much more than repay it to a great society. 5

We must beware, however, lest we exaggerate this point. Although Smith, in the majority of cases, preferred individual action, we must not conclude from this that he had unlimited confidence in individuals. Smith's individualism was of a particular kind. It was not a mere blind preference for every private enterprise, for he knew that industry frequently falls a prey to the spirit of monopoly. "People of the same trade seldom meet together, even for merriment and diversion, but the conversation ends in a conspiracy against the public, or in some

Ind , Book IV, chapter ix, is fee; Vol. II, p. 185.

<sup>1</sup> Wealth of Nations, Book V, chapter iii; Cannan, Vol. II, p. 413. Mid , Book V, chapter ii, Part I; Vol. II, p. 308.

Cf. particularly Busgin, Les Communaux et la Révolution française, in Nouvelle Revue historique de Dreit, Nov.-Dec. 1908. Weelth of Nations, Book V, chapter i, Part III, art 2; Cannan, Vol. II, p. 250,

contrivance to raise prices." In order that a private enterprise may be useful for the community two conditions are necessary. The attrement must be: (1) actuated by personal interest; (2) his actions must by means of competition be kept within the limits of justice. Should either of these two conditions be wanting, the public would run the trisk of loaine as much by private as they would by State interprise.

Thus Smith throughout remains very hostile to certain collective enterprises of a private nature, such as joint-stock companies, because of the absence of personal interest. The only exceptions which be would tolerate are banks, insurance companies, and companies formed for the construction or maintenance of canals or for supplying great towns with water, for the management of such undertakings can easily be reduced to a kind of routine, "or to such a uniformity of method as a draints of little or no variation."

His opposition to every kind of monopoly granted either to an individual or to a company is even more pronounced. A whole chapter is devoted to an attack upon the great trading companies of the seventeenth and eighteenth centuries, which were created with a view to the development of colonial trade, and of which the East India Company was the most famous.

One other observation remains to be made. Non-intervention for Smith was a general principle, and not an absolute rule. He was no doctrinaire, and he never forgot that to every rule there are some exceptions. An interesting list could be made, giving all the cases in which, according to Smith, the legitimacy of State intervation was indisputable—legal limitation of interest; State administration of the post-office, compulsory elementary education, State examinations as a condition of entry into the liberal professions or to any post of confidence whatever, bank-notes of a minimum value of £5, etc. In a characteristic phrase he gave expression to his feeling on the question of restricting the liberty of banks.

Such regulations may, no doubt, be considered as in some respects a violation of natural liberty. But those exertions of the naturaliberty of a few individuals, which might endanger the security of the

friends—George Wilson. Cf. John Rae, Life of Adam Smith, p. 423.

\* Wealth of Nations, Book 11, chapter ii; Cannan, Vol. I, p. 307.

<sup>1</sup> Wealth of Nations, Book I, chapter x, Part II: Cannan, Vol. I, p. 130.

<sup>2</sup> Ibid., Book V, chapter i, Part III, art. 1; Vol. II, p. 233.

<sup>\*</sup>Mid., Book V, Chapter e, Patr III, att. ri Vol. II, p. 246.
\*Mad, Book II, Chapter iv, mgr. Vol. I. p. 383. It is probable that his conversion to belief in absolute liberty took place later as the result of his persual of Bentham's Defines of Uny (1987) advocating the right of taking interest. This seems to have been the case if we can credit the report of a conversation which Smith had with coor of Bentham's fuends, mentioned in a letter written to Bentham by another of its

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whole of society, are, and ought to be, restrained by the laws of all

governments; of the most free, as well as of the most despotucal.

Despite these reservations it is still very evident that the whole of
mith's work is a pica for the economic freedom of the individual.
It is an eloquent agreeal against the Mercantilist policy and a violent

attack upon every economic system inspired by it. On this point there is absolute agreement between the work done by Smith in England and that carried on at the same time by the Physiocrats in France. Both in foreign and domestic trade producers, merchants, and workmen were hemmed in by a network of restrictions either inherited from the traditions of the Middle Ages or imposed by powerful party interests and upheld by false economic theories. The corporations still existed in the towns: although their regulations could not be applied to industries born after the passing of Elizabeth's famous law concerning apprenticeship. The Colbertian system, with its mob of officials entrusted with the task of superintending the processes of production, of examining the weight, the length, and the quality of the material employed, was still a grievance with the woollen manufacturers.2 The fixing of the duration of apprenticeship at seven years, the limitation of the number of apprentices in the principal industries, the obstacles but in the way of the mobility of labour by the Poor Law, and by the series of statutes passed since the reign of Elizabeth, fettered the movement of labour and the useful employment of capital. Smith opposed these measures with the whole of his energy. England, unlike France, had fortunately escaped internal restrictions upon trade, but the restraints placed upon foreign trade still kept England and Ireland commercially separated. These checks upon foreign trade proved as irksome in England as they did everywhere else. Manufactured goods from foreign countries were heavily taxed or were prohibited entrance altogether. Certain natural products-e.g., French wine-were similarly handicapped; the importation of a number of commodities necessary for national industry was banned; a narrow and oppressive policy regarded the colonies as the

hatural purveyors of raw materials for the mother-country and the .1 World of Neissu, Book II, chapter it; Canzan, Vol. I, p. 909. He continues a blooking party will in order to present the communication of fee for the same and with the regulations of the same had with the regulations of the banking trade which the same had with the regulations of the banking trade which the same had with the regulations will be same had with the regulations will be same hard with the regulations will be usually farther the material servinty of the current. Has here be shown has parasilarly for adopting hyperime personation against the spread of continuous diseases (fields) & chapter; E par III, II at z, Vol. II, p. 921.

a C Munioux, et. et., pp. 63-66. This work gives most interesting deta is learing upon all the points mentioned here. Internal restrictions are entitued by Smith in the record part of chapter x of Book 1.

willing buyers of its manufactured goods. Against all this mass of regulations, destined, it was thought, to secure the supremacy of England among other commercial nations. Smith directed his most spirited onslaughts. The fourth book of the Wealth of Nations is an eloquent and vigorous attack upon Mercantilism, admirable alike for the precision and the extent of its learning. It was this section of his work that interested his contemporaries most. For us it would have been the least interesting but for its theory of international trade and its criticism of Protection in general. On this account, however, it is of considerable importance in the study of economic doctrines.

In the struggle for Free Trade, as on other points, Smith was foretailed by the Physiocrats. But again has he shown himself superior in the breadth of his outlook. Physiocratic Liberalism was the result of their interest in agriculture, foreign trade being of quite secondary importance. Smith, on the other hand, considered foreign trade in itself advantageous, provided it began at the right moment and developed spontaneously. I Although his point of view is far superior to that of the Physiocrats, even Smith failed to give us a satisfactory theory. It was reserved for Ricardo and his successors, particularly John Stuart Mill, to find a solid scientific basis for the theory of international trade. The doctune of the Scott seconomist is somewhat lame. But the heutancy of a great writer is often interesting, and some of his arguments deserte to be recalled.

Already in our review of his theory of money we have become familiar with Smith's criticism of the balance of trade theory. But the balance of trade theory is not the whole of Protection, and we find in Smith something more than its more refutation. In the first place, we have a criticism of Protectionism in general considered in its Mercantilate aspect, followed by an attempt to demonstrate the poaches advantages of international commercials.

The first criticism that he offers might be summed up in the well-known phrase: "Industry is limited by capital." "The general industry of the society can never exceed what the capital of the society can employ." But Protection, perhaps, increases the quantity of capital." No, "for it can only divert a part of it into a direction into which it might not otherwise have gone." But the direction sportaneously given to their capital by individuals is the most favourable to a country's industry. Has now Smith demonstrated this already.

<sup>1 \*</sup> East of these different beauties of trade, however, in not only advantageables an ensurer and unconstitution when the course of study, method any committee or between a search a student is set if you be, they private an exportant of the representation of the representation of the representation of the search of the

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Protection, consequently, is not merely useless; it may even prove

The argument does not appear decisive, especially when we recall the criticism of Smith's optimism given above. To borrow an expression of M. Pareto, it is the maximum of ophelimity and not the maximum of utility that is realized by the capitalists under the action of personal interest.

A second and a more striking argument shows the absurdity of manufacturing a commodity in this country at a great expense when a similar commodity might be supplied by a foreign country at less cost, "It is the maxim of every prudent master of a family, never to attempt to make at home what it will cost him more to make than to buy. . . . What is prudence in the conduct of every private family, can scarce be folly in that of a great kingdom." It is foolish to grow grapes in hothouses in Scotland when better and cheaper can be got from Portugal or France. Everybody is convinced of that. But a similar stupidity prevails when we are hindered by tariffs from profiting by the natural advantages which foreign nations possess as compared with ourselves. All "the mean rapacity and the monopolizing spirit of merchants and manufacturers"2 was necessary to blind men to their true interests on this point. According to Smith, there exists a natural distribution of products among various countries, resulting in an advantage to all of them. It is Protection that hinders our sharing in the advantages. This is the principle known as the "territorial division of labour."

This is the best argument for Free Trade. Later on Ricardo and Mill were to think they had improved it by their theory of 'comparative cost,' but they only minanged to complicate it, and the most recent theories have returned to this original view. It is a strange thing that Smith himself did not adopt; it, and when he wanted to demonstrate directly the advantages of international trade he became to some extent disloyal to his own doctrine.

The real and decisive argument in favour of free exchange turn upon a consideration of the consumer's interests. Increased utilities placed at his disposal mark the superiority of free exchange, or, as John Stuart Mill puts it, "the only direct advantage of foreign commerce consists in the imports." With Smith this is the point of view developed least of all. True, he wrote that "consumption is the sole

<sup>1</sup> li'salth of Notions, Book IV, chapter is, Cannan, Vol. I, p. 419.

1 li'salth of Notions, Book IV, chapter is, Vol. I, p. 422.

Hed., Book IV, chapter in, Part II, Vol. I, pp. 457-458.

Promples of Political Fernany, Book III, chapter KVII.

such as wine, alcohol, sugar, tobacco, cocoa. Such a system, though perfectly consonant with a great deal of free exchange, would yield abundant revenue to the Treasury, and would afford ample compensation for the losses resulting from the introduction of Free Trade!

England has followed his advice, and her financial system is to-day founded on these bases. Few economists can boast of such a complete realization of their projects.

# IV: THE INFLUENCE OF SMITH'S THOUGHT AND ITS DIFFUSION. J. B. SAY

The eighteenth century was essentially a century of levelling down. In Smith's conception of the economic world we have an excellent example of this. Its chief charm lies in the simplicity of its outlines, and this doubtless accounted for his influence among his contemporaries. The system of natural liberty towards which both the political and philosophical aspirations seemed to point were he deduced from, and supported by, evidence taken direct from a tust of human nature—evidence, moreover, that seemed to tally so we with known facts that doubt was out of the question. Smith's wor still retains its irresistible charm. Even if his ideas are some days how to be untenable—a contingency we cannot well imagine—his boo will remain as a permanent monument of one of the most importate pochs in economic thought. It must still be considered the most successful attempt made at embracing within a single purview th infinite diversity of the economic world.

But its simplicity also constituted its weakness. To attain this simplicity more than one important fact that refused to fit in with the system had to remain in the background. The evidence employed was also frequently incomplete. None of the special themes—price, wages profits, and rent, the theory of international trade or of capital-which occupy the greater portion of the work, but has been in some way corrected, disputed, or replaced. But the structure loss stability if some of the corner-stones are removed. And new points of what have appeared of which Smith did not take sufficient account. Instead of the pleasant impression of simplicity and security which a perual of Smith's work gave to the economists of the early interestable enhangements.

To pass a criticism on the labours of Adam Smith would be to review the economic doctrines of the nineteenth century. That is the

<sup>1</sup> This system is expounded in Book V, chapter ii, Part II.

next eulogy one can bestow upon his work. The economic ideas of a whole century were, so to speak, in solution in his writing. Friends and fore have alike taken him as their starting-point. The former have developed, extended, and corrected his work. The latter have subjected his principal theories to harsh criticism at every point. All with tacit accord admit that political economy commenced with him. As Garnier, his French translator, put it, "he wrought a complete revolution in the science." To-day, even although the Waelih of Neilson may no longer appear to us as a truly scientific treatise on political economy, certain of its fundamental ideas remain incontestable. The theory of money, the importance of division of labour, the fundamental character of spontaneous economic institutions, the contant operation of personal interest in economic lift, liberty as the basis of rational political economy—all these appear to us as definite acoustions to the science.

The imperfections of the work will be naturally demonstrated in the chapters which follow. In order to complete our exposition of Smith's doctrines it only remains to show how they were diffused.

The rapid spread of his ideas throughout Europe and their incontestable supremacy remains one of the most curious phenomena the history of clieds. Smith permaded his own generation and governed the next. History affords us some clue. To attribute it solely to the influence of his book is sheer exaggeration. A great deal must be set to the credit of circumstances more or less fortuitous.

M. Mantoux remarks with much justice that it was the American War rather than Smith's writings which demonstrated the decay of the ancient political economy and compassed its ruin. The War of Independence proved two things: (s) The danger lurking in a colonial system which could good the most prospersus colonies to revolt; (s) the understanding that the contraction of a protective tariff, for on the very morrow of the war English trade with the American colonies was more flourishing than ever before. "The loss of the American colonies to English was teally a gain to her." So wrote Say in 1803, and he adds: "This is a fact that I have nowhere seen disputed." To the American War there causes must be added: (s) The urgent need for markets felt by English merchants at the close of the Napoleonie Wars; they were already abundantly supplied with excellent machinery. (g) Coupled with this was a growing belief that a high price of corn as the result of agricultural protection increased the cost of hand labour. These

In the preface to his translation, 1821 ed., p. laix.

Rac, Life of Smith, p. 103. The author of this famous phrase is not known.

J. B. Say, Trank, 1st ed., p. 240.

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have taken the term? In he give it even the combitence of outward unity To discreet it un to compres a real off as of thought. Smith whitesically expanded at an a more decourse, and the reading recasionally gives the impression of conversation. The concest formule which summarise or recapitate his uleas are inclifferently found either in the tradile or at the end of a chinter, but as they arose. They represent the envelopment from what preceded as they flashed across his mind. On the other hand, a consideration of such a secretion as money is wattered throughout the whole work, being discussed on no less . than ten different organism. As early as April 1, 1776, Hume had expersed to 5mith wine doubts as to the popularity of the book, seeing that its reading demanded considerable attention. Sartorius in 1704 attributed to this difficulty the slow progress made by Smith's ideas in Germany Germain Garnier, the French translator, gave an outline of the bank in order to assist his readers. It was generally agreed that the work was a striking one, but badly composed and difficult to penetrate owing to the confused and equivocal character of some of the paragraphs. When Say referred to it as "a chaotic collection of just ideas thrown inducriminately among a number of

positive truths," he expressed the opinion of all who had read it. But a complete triumph, so far as the Continent at least was concerned, had to be the work of an interpreter. Such an interpreter must fuse all these ideas into a coherent body of doctrines, leaving useless digressions aside. This was the task that fell into the hands of J. B. Say. Among his merits (and it is not the only one) is that of popularizing the ideas of the great Scots economist on the Continent, and of giving to the ideas a somewhat classical appearance. The task of discrediting the first French school of economists and of facilitating the expansion of English political economy fell, curiously enough, to the hands of a Frenchman.

J. B. Say was twenty-three years of age in 1789. At that time he

In his introduction to the Trail, 1st ed. (The phrase was deleted in the 6th ed.)

J. B. Say, Trail, 1st ed., introduction, p. xxxiii. He was born at Lyons on January 5, 1767. After a visit to England he entered the employment of an assurance company, and took part as a volunteer in the campaign of 1792. From 1794 to 1800 he edited a review entitled Dicade philosophique, littraire et polinque, par une société de républicaire. He was nominated a member of the Tribunate in 1799. After the publication of his Troid the First Consul, having failed to obtain a promise that the financial proposals outlined in the first edition would be eliminated in the second, dismissed him from the Tribunate, offering him the post of director of the Drift static a cotton factory at Auchy-les-Hexdins, in the Pas-de-Calab-regime, refused, and set up a cotton factory at Auchy-les-Hexdins, in the Pas-de-Calab-regime, refused, and set up a cotton factory at Auchy-les-Hexdins, in the Pas-de-Calab-He realized his capital in 1813, returned to Paris, and in 1814 published a second edition of his treatise. In 1816 he delivered a course of lectures on political economy at the Athenée, probably the first course given in France. These fectures were pubINPLUENCE OF THOUGHT AND ITS DIFFUSION- 123

نمد کا ت was Clavières's secretary. Clavières became Minister of Finance in 1702, but at this period he was manager of an assurance company, and was already a disciple of Smith. Say came across some stray pages of the Wealth of Nations, and sent for a copy of the book.1 The impression it made upon him was profound. "When we read this work," he writes, "we feel that previous to Smith there was no such thing as political economy." Fourteen years afterwards, in 1803, appeared Le Trait! d'économie politique. The book met with immediate success, and a second edition would have appeared had not the First Consul interdicted it. Say had refused to support the Consul's financial recommendations, and the writer, in addition to having his book proscribed, found himself banished from the Tribunate. Say waited until 1814 before republishing it. New editions rapidly followed, in 1817, 1819, and 1826. The treatise was translated into several languages. Say's authority gradually extended itself; his reputation became European; and by these means the ideas of Adam Smith, clarified and logically arranged in the form of general principles from which conclusions could be easily deduced, gradually captivated the more enlightened section of public opinion.

It would, however, he unjust to regard Say as a mere popularizer of Smith's ideas. With praiseworthy modesty, he has never attempted to conceal all that he owed to the master. The master's name is mentioned in almost every line, but he never remains content with a mere repetition of his ideas. These are carefully reconsidered and reviewed with discrimination. He develops some of them and emphasizes others. Amid the devious paths pursued by Smith, the French economist chooses that which most directly leads to the desired end. This path is so clearly outlined for his successors that "wayfaring men, though fools, could not err therein." In a sense he may be said to have filtered the ideas of the master, or to have toned his doctrines with the proper tints. He thus imparted to French political economy its distinctive character as distinguished from English political economy, to which at about the same time Malthus and Ricardo were to give an entirely new orientation. What interests us more than his borrowing is the personal share which he has in the work, an estimate of which we must now attempt.

labed in 1817 in his Cathhims & Commun politique. In 1819 the Resouration Government appointed him to give a course on "Industrial Economy" (the term "Political Economy" has too terrible) In 1821 be was made Professor of Political Economy in the Collège de France. He died in 1872. His Cours complet & Commun politique was published, in the volume, in 1828-90.

Q. a letter to Louis Say in 1827 (Eurre diores, p. 545)

(1) In the ferr place, Say exceeded in exerchemolog the week of the

The week of sterrol time was not all wether uncless. In France there were many who still clang to the 'eert.' Even Germain Garrier. Smith's translator, envendered the arguments of the Physiografs thereesically stref stable. The superposity of the Scots economist was endurity in the realm of practice! "We may," say he "reject the Francester' therey [meaning the Physiocrate'] because it is less useful. althraigh it is not altorother erroneous" Smith himself, as we know, was proved quate sail of this alea, for he recomized a special productivenest of land at a smult of the co-operation of nature, and doctors, judges, adapteates, and actute were consided as upperchartive. But Say's admission was the Lut straw. Not in arriculture alone, but everywhere, "nature is freeed to work along with man," and by the funds of nature was to be understood in future all the help that a nation draws directly from nature, he is the face of wind or rinh of water.4 As to the electors, Lawyers, etc., how are we to prove that they take no part in production? Garner had already protested again their exclusion. Such services must no doubt be classed as immateriproducts, but products none the less, seeing that they possess exchanvalue and are the outcome of the co-operation of capital and industr In other respects also - r, in the pleasure and utility which the yield-services are not very unlike commodities. Say's doctrine mee with some opposition on this point, for the English economists wer unwilling to consider a simple service as wealth because of its ur endurable character, and the consequent fact that it could not b considered as adding to the aggregate amount of capital. But h soon wins over the majority of writers.4 Finally Say, like Condillat discovered a decisive argument against Physiocracy in the fact tha the production of material objects does not imply their creation Man never can create, but must be content with mere transformation of matter. Production is merely a creation of utilities, a furthering o that capacity of responding to our needs and of satisfying our want which is possessed by commodities; and all work is productive which

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<sup>1</sup> Garnier's translation of Adam Smith, 1802, Vol. V, p. 283.

<sup>2</sup> Traiti, 1st ed., p. 39.

<sup>\*</sup> Ibid., p. 21. Later on he employs the more comprehensive term 'natural agents'

4 Ibid., Book I, chapters xlil and xliii. By 'industry' Say understands every kind

of labour. G. 6th ed., pp. 70 of sq.

Malthus still appeared houle to the doctrine of immaterial products, but
Lauderdale, Tooke, McCulloch, and Senior accepted it, and it seemed definitely fixed when Stuart Mill confined the word 'product' to material products only. For Tooke's view see his letter to J. B. Say in the Charas disease of the latter.

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his radical separation of politics and economics, in avoiding the 'practical' leanings of Adam Smith, he has succeeded in giving the science a greater degree of harmony. But it also acquired a certain frigidity which his less gifted successors have mistaken for banality or crudity. Rightly or wrongly, the responsibility is sacribed to Say.

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(3) the nave just seen the amendment which the progress of the physical sciences had upon Say's conception of political economy; but he was also much influenced by the progress of industry. Between 1756, the date of the appearance of the Wealth of Nations, and the year 1803, when Say's treatise appeared, the Industrial Revolution had taken place. This is a fact of considerable importance for the history of economic ideas.

When Say visited England a little before 1769 he found machine production already in full swing there. In France at the same date manufactures were only just beginning. They increased rapidly under the Empire, and the progress after 1815 became enormous. Chaptal in his work De Pladustrie française reckons that in 1819 there were 220 factories in existence, with 922,000 spindles consuming 13 million kilograms of raw cotton. This, however, only represented a 6th of the English production, which twenty years later was quadrupled. Other industries were developing in a similar way. Everybody was convinced that the future must be along those lines—an indefinite future, it is true, but it was to be one of wealth, work, and well-being. The rising generation was intoxicated at the prospect. The most

Say did not escape the infection. While Smith gives agriculture the premier place, Say accords the laurels to manufactures. For many years industrial problems had been predominant in political economy, and the first official course of lectures given by Say himself at the Conservatorie des Arts et Métien was entitled "A Course of Lectures.

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ADAM SHITH

the economist should have demonstrated its cause; but he must give no advice "1

In this way Say broke with the long tradition which, stretching from the days of the Canonists and the Cameralists to those of the Mercantilists and the Physiograps, had treated political economy as a practical art and a guide for statesmen and administrators. Smith had already tried to approach economic phenomena as a scientist, but there was always something of the reformer in his attitude. Say's only desire was to be a mere student: the healing art had no attraction for him. and so he inaugurates the true scientific method. He moreover, instituted a comparison between this science and physics rather than between it and natural history, and in this respect also he differed from Smith, for whom the social body was essentially a living thing. Without actually employing the term 'social physics,' he continually suggests it by his repeated comparison with Newtonian physics. The principles of the science, like the laws of physics, are not the work of men. They are derived from the very nature of things. They are not established; they are discovered They govern even legislators and princes, and one never violates them with impunity. Like the laws of gravity, they are not confined within the frontiers of any one country, and the limits of State administration, which are all-important for the student of politics, are mere accidents for the economist.2 Political economy is accordingly based on the model of an exact science, with laws that are universal. Like physics, it is not so much concerned with the accumulation of particular facts as with the formulation of a few general principles from which a chain of consequences of greater or smaller length may be drawn according to circumstances.

A delight in uniformity,4 love of universality, and contempt for isolated facts, these are the marks of the savant. But the same qualities in men of less breadth of view may easily become deformed and result in faults of indifference or of dogmatism, or even contempt for all facts. And are not these very faults produced by the stress which he lays upon these principles? Was not political economy placed in a vulnerable position for the attacks of Sismondi, of List, of the Historical school, and of the Christian Socialists by this very work of Say? In

<sup>1</sup> Correspondence with Malthus, in Œuves dicress, p. 466.

Tratt, Introd., 1st ed., p ix; 6th ed , p. 19.

<sup>1 [5</sup>al., 1st ed., Book I, p 404.

<sup>4</sup> There is no need for exaggeration, and no need to regard Say as indifferent to suffering and muery. He declares that "for many homes both in sown and country guiering and mucry. The sections much me many mome took in town and country
Lie is one long privation," and that thrift in general "implies, not the curtailment of useless commodities, such as expediency and humanity would welcome, but a diminution of the real needs of Life, which is a standing condemnation of the economic system of many Covernments." (Trans, 1st ed., Vol. 1, pp. 57-58, 6th ed., p. 116.)

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question of machinery, which was merely touched on by Smith in a short passage, find a larger place in every successive edition of Say's work. The general adoption of machinery by manufacturers both in England and France frequently incited the workers to riot. Say donot fail to demonstrate its advantages. At first he admits that the Government might mitigate the resulting evils by confining the employment of machinery at the outset to cretain districts where labour is scarce or is employed in other branches of production. But by the beginning of the fifth edition he changed his advice and declared that such intervention involved interference with the inventor's property, admitting only that the Government maybe set up works of public utility in order to employ those men who are thrown out of employment on account of the introduction of machinery.

The influence of these same circumstances must be accounted responsible for the stress which is laid by Say upon the role of an individual whom Smith had not even defined, though Cantillon had already emphasized that role, and who is henceforth to remain an important personage in the economic world, namely, the entreprener.2 At the beginning of the nineteenth century the principal agent of economic progress was the industrious, active, well-informed individual, either an ingenious inventor, a progressive agriculturist, or an experienced business man. This type became quite common in every country where mechanical production and increasing markets became the rule. It is he rather than the capitalist properly so called, the landed proprietor, or the workman, who is "almost always passive," who directs production and superintends the distribution of wealth. "The power of industrial entrepreneurs exercises a most notable influence upon the distribution of wealth," says Say. "In the same kind of industry one entrepreneur who is judicious, active, methodical, and willing makes his fortune, while another who is devoid of these qualities or who meets with very different circumstances would be ruined." Is it not the master spinner of Auchy-les-Hesdins who is speaking here? We are easily convinced of this if we compare the edition of 1803 with that of 1814, and we can trace the gradual growth and development of this conception with every successive edition of the work.

ment of this conception with every successive edition of the work.

Say's classic exposition of the mechanism of distribution is based
upon this very admirable conception, which is altogether superior to
that of Smith or the Physiocrats. The entrepensus serves as the pivot

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<sup>1</sup> Traits, 1st ed., Vol. I, p. 48. \* Ibid., 5th ed., Vol. I, p. 67.

\* The entreprener in fact has an important place in Captillon's admirable Errai no

la nature du commerce, written in the middle of the eighteenth century.

4 Critical examination of McCulloch's treatise (1825), in Eures diverses, pp. 274-

ూ.ఆ ప్రాంత of the whole system. The following may be regarded as an outline of his treatment.

Men, capital, and labour furnish what Say refers to as productive services. These services, when brought to market, are given in exchange for wages, interest, or rent. It is the enterpressor, whether merchant, manufacturer, or sgriculturist, who requires them, and it is he who combines them with a view to satisfying the demand of consumers. "The enterpressor, accordingly, are mere intermediaries who set up a claim for those productive services which are necessary to satisfy the demand for certain products." Accordingly there arises a demand for productive services, and the demand is "one of the factors determining the value of those services."

On the other hand, the agents of production, both men and things, whether land, capital, or industrial employees, offer their services in greater or less quantities according to various motives, and thus constitute another factor which determines the value of these same services.<sup>1</sup>

In this fashion the law of demand and supply determines the price of services, the average rate of interest, and rent. Thanks to the entirement, the value produced is again distributed among these "various productive services," and the various services allotted according to need among the industries. This theory of distribution is in complete accordance with the theory of exchange and production.

Say's very simple scheme of distribution constitutes a real progress. In the first place, it is much more exact than the Physiocrats', who conceived of exchange as taking place between classes only, and not between individuals. It also enables us to distinguish the remuneration of the excellent fundamental and the contraction of the excellent fundamental and the contraction of the excellent fundamental and the contraction fundamental and the

tion of the capitalist from the earnings of the entreprener, which were infounded by Adam Smith. The Scots economist assumed that the hyperane was very frequently a capitalist, and confused the two hctions, designating his total remuneration by the single word 'profit,' idoou ever destinguishing between net interest of capital and profit inport yes called. This regrettable confusion was followed by other perhy so called. This regrettable confusion was followed by other nglish authors, and remained in English economic theory for a long me. Finally, Say's theory has another advantage. It gave to his treth successors a clear scheme of distribution which was wanting a Smith; work, just at the time when Ricardo was attempting to vercome the omission by outlining a new theory of distribution. coording to Ricardo, rent, by its very nature and the laws which he (he to it, is opposed to other revenues, and the rate of wages and frontis must be regarded as direct opposites, so that the one can

only increase if the other diminishes-on attractive but erroneous theory, and one which led to endless discussion among English economists, with the result that they abandoned it altogether. Say, by showing this dependence, which becomes quite clear if we regard wages and profits from the point of view of demand for commodities, and by his demonstration that rent is determined by the same general causes-viz., demand and supply-as determine the exchange value of other productive services, saved political economy in France from a similar disaster. It was he, also, who furnished Walras with the first outlines of his attractive conception of prices and economic equilibrium. This explains why he never attached to the theory of rent the supreme importance given to it by English economists. In this respect he has been followed by the majority of French economists. On the other hand, and for a similar reason, he never went to the opposite extreme of denying the existence of rent altogether by regarding it merely as the revenue yielded by capital sunk in land. In this way be avoided the error which Carey and Bastiat attempted to defend at a later period.1

(4) So far it is Say's brilliant power of logical reasoning that we have admired. But has he contributed anything which is entirely new to the science?

His theory of markets was for a long time considered first-class work. "Products are given in exchange for products." It is a happy phrase, but it is not in truth very profound. It simply gives expression to an idea that was quite familiar to the Physiocrats and to Smith, analeyl, that money is but an intermediary which is acquired only to be passed on and exchanged for another product. "Once the exchange has been effected it is immediately discovered that products pay for products." Thus goods constitute a demand for other goods, and the interest of a country that produces much is that other countries should produce at least as much. Say thought that the outcome of this would be the advent of the true brotherhood of man. "The theory of market will change the whole policy of the world," said he.' He though

<sup>&</sup>quot;Merca," he asy, "dachelors a partly narrent on espetal barred in the sed, is there are the reporters which the not one emembers to improvement and in them. But there social where is relief to the control of the second feet in the second feet

<sup>\*</sup> Trau, In ed. p. 151.

<sup>5.</sup> The theory of heat and of weight and the muly of the inclined plane have placed the whole of nature at the disposal of manked. In the same way the theory of exchange and of markets will change the whole policy of the weight. [Dat., P. 51.]

\* INFLUENCE OF THOUGHT AND ITS DIFFUSION 131 that the greater part of the doctrine of Free Trade could be based

upon this principle. But to expect so much from such a vague, self-

evident formula was to hope for the impossible.

Still more interesting is the way in which he applied this "theory of markets" to a study of over-production crises, and the light which that sheds upon the nature of Say's thought. Garnier had already pointed out that a general congestion of markets was possible. As crises multiplied this fear began to agitate the minds of a number of thinkers. "Nothing can be more illogical," writes Say. "The total supply of products and the total demand for them must of necessity be equal, for the total demand is nothing but the whole mass of commodities which have been produced: a general congestion would consequently be an absurdity." It would simply mean a general increase of wealth, and "wealth is none too plentiful among nations, any more than it is among individuals."2 We may have an inefficient application of the means of production, resulting in the over-production of some one commodity or other-s.e., we may have partial over-production,3 Say wishes to emphasize the fact that we need never fear general over-production, but that we may have too much of some one product or other. He frequently gave expression to this idea in the form of paradoxes. We might almost be led to believe that he denies the existence of crises altogether in the second edition of his work.4 In reality he was very anxious to admit their existence, but he wished to avoid everything that might prove unfavourable to an extension of industry.5

He thought that crises were essentially transient, and declared that

Letters to Malthus (Œurst duerst, p. 466).

<sup>\*</sup> Trasti, 1st ed., Vol. 11, p. 175. 1 Ibid., p 179 One kind of product would seldom be more plentiful than another and goods would reliam be too many if every one were given complete freedom." Too much fires has possibly been laid on the phrase "Certain products are superabundant but because others are wanting," and it has been taken as umplying that even partial over-production is an impossibility. A note inserted on the next page helps to clear up the matter and to prevent migunderstanding. "The argument of the chapter," mys he, "is not that partial over-production is impossible, but merely that the production of one thing creates the demand for another." He certainly seems unfaithful to his own position in the letters he wrote to Malthus, in which he tries to defend his own point of view by saying that "production implies producing goods that are demanded," and that consequently if there is any excessive production it is not the fault of production as such and cannot be regarded as ser-production. In greater conformity with his own views and much pearer the truth is his reply to an article by Sumondi published in 1824 in the Reise engelophique under the title Sur la Balance to Consummations aree les Productions (Eures diversite, p. 250) His statements vary from one edition to another, and anything more unstable than Say's views on this quention would be difficult to imagine. The formula "Products exchange for Products" is so general that it includes everything, but means nothing at all; for what n money, after all, if it is not a product?

individual liberty would be quite enough to prevent them. He was extremely anxious to get rid of the vague terrors which had haunted those people who feared that they would not be able to consume all this wealth, of a Malthus who thought the existence of the idle rich afforded a kind of safety-valve which prevented over-production,2 of a Sismondi who prayed for a slackening of the nace of industrial progress and a checking of inventions. Such thoughts arouse his indignation, especially, as he remarks, when it is remembered that even among the most flourishing nations "seven-eighths of the population are without a great number of products which would be regarded as absolute necessities, not by a wealthy family, but even by one of moderate means."2 The inconvenience-and he is never tired of repeating it-is not the result of over-production, but is the effect of producing what is not exactly wanted.3 Produce, produce all that you can, and in the natural course of events a lowering of prices will benefit even those who at first suffered from the extension of industry. In this once-famous controversy between Say, Malthus, Sismondi, and Ricardo (the last sided with Say) we must not expect to find a clear exposition of the causes of crises. Indeed, that is nowhere to be

bottom perfectly just, but one which Say wrongly attempted to state in a scientific formula. J. B. Say plays a by no means negligible part in the history of doctrines. Foreign economists have not always recognized him. Duhring, who is usually perspicacious, is very unjust to him when he speaks of "the labour of dilution" to which Say devoted his energies.4 His want of insight frequently caused him to glide over problems instead of attempting to fathom them, and his treatment of political economy occasionally appears very superficial. Certain difficulties are veiled with pure verbiage-a characteristic in which he is very frequently imitated by Bastiat. Despite Say's greater lucidity, it is doubtful whether Smith's obscurity of style is not, after all, more stimulating for the mind. Notwithstanding all this, he was faithful in his transmission of the ideas of the great Scots economist into French. Happily his knowledge of Turgot and Condillac enabled him to rectify some of the more contestable opinions of his master, and in this way he avoided

found. All we have here is the expression of a sentiment which is at

911), and the Resur d'Histoire des Decreues, 1911 (p. 321).

<sup>&</sup>lt;sup>1</sup> Malthus, Principles of Political Economy, Book II, chapter i, sec. ix.

Sig la Balance des Consommations avec les Productions, D. 252. \* Ibid . p. 251.

Duhring, Kritische Geschickte der Nationalöhmomie und der Socialismus, and ed , 1875. p. 165 For the other side of the question one may profitably peruse the interesting study of Say contributed by M. Allex to the Raw & tremens polinges, 1910 (pp 303-

many of the errors of his successors. He has left his mark upon French political economy, and had the English economists adopted his conception of the entrytrener entity, instead of waiting until the appearance of Jevous, they would have sparred the science many useless adecussions provoked by the work of a thinker who was certainly more profound but much less judicious than Say, namely, David Ricardo.<sup>1</sup>

# CHAPTER III: THE PESSIMISTS

A REW point of view is presented to us by the economists of whom we are now going to speak. Hitherto we have heard with admiration of the discovery of new facts and of their beneficent effects upon both nations and individuals. We are now to witness the enunciation of new doctrines which cast a deepening shadow across the radiant dawn of economics, giving it that strangely sinister aspect which led Carlyle to dush it "the dissmal science."

Hence the term 'Pessimists,' although no reproach is implied in our use of that term. On the contrary, we shall have to show that the theories of the school are often truer than those of the Optimists, which we must study at a later stage of our survey. While nominally subscribing to their predecessors' doctrine concerning the identity of individual and general interests, the many cogent reasons which they have adduced against such belief warrants our classification. The antagonism existing between proprietors and capitalists, between capitalists and workmen, is a discovery of theirs. Instead of the 'natural' or 'providential' laws that were to secure the establishment of the 'order' provided they were once thoroughly understood and obeyed, they discovered the existence of other laws, such as that of rent, which guaranteed a revenue for a minority of idle proprietorsa revenue that was destined to grow as the direct result of the people's growing need; or the 'law of diminishing returns,' which sets a definite limit to the production of the necessaries of life. That limit, they

Studio-Front (They of Palcial Energy, 1905) has recognized in words for prefivency factor (confined by the nodes, development of consonine, the transport of the Freich ectonomist never Ricardo. "The true doctrine may be more of leasy traced through the writings of a succession of great French economist, from the following the studios of the prediction of the palcin of the palci

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asserted, was already being approached, and mankind had no prospec of bettering its lot save by the voluntary limitation of its numbers There was also the tendency of profits to fall to a minimum-until it seemed as if the whole of human industry would sooner or later be swallowed up by the stagnant waters of the stationary State.

. Lastly, they deserve to be classed as pessimists because of their utter disbelief in the possibility of changing the course of these inevitable laws either by legislative reform or by organized voluntary effort. In short, they had no faith in what we call progress.

But we must never imagine that they considered themselves pessimists or were classed as such by their contemporaries. This verdict is posterity's, and would have caused them no little surprise. As for themselves, they seem to stand aloof from their systems with an insouciance that is most disconcerting. The 'present order of things' possessed no disquieting features for them, and they never doubted the wisdom of 'Nature's Lord.' They believed that property had been out upon an immovable basis when they demonstrated the extent of its denotation, and that the spirit of revolt had been disarmed by impressing upon the poor a sense of responsibility for their own miseries The best-known representatives of the school are Malthus an

Ricardo. They claimed to be philanthropists and friends of th people, and we have no reason to suspect their sincerity.2 Their con temporaries, also, far from being alarmed, received the new politica economy with the greatest enthusiasm. A warm welcome was extender to its apostles by the best of English society, and ladies of distinction contended with one another for the privilege of popularizing the

abstract thoughts of Ricardo in newspaper articles and popular tales. Neither should we omit to pay them full homage for the eminent

services rendered to the science, and among these not the least impor-

1 "The people must comprehend that they are themselves the cause of their own poverty." (Malthus, p. 458.) Doubtless this is the reason why M. Halévy, among others, in his book Is Radicalisms philosophique, remarks that Ricardo, Malthus, and their disciples were regarded as the exponents of optimism and quietism. But in what sense were they optimists? Of course they believed that the existing economic order is the best possible, and that it would be impossible to change it for a better. That may be. But we prefer to think of them as "contented pessimuts."

\* "Every reader of eandour must acknowledge that the practical design uppermost in the mind of the writer, with whatever want of judgment it may have been executed, a to improve the condition and increase the happiness of the lower clauses of society." It is with this declaration that Malthus brings his book on population to a close.

Miss Edgeworth, a contemporary of Ricardo, states in her letters that publical economy was so much the fushion that distinguished ladses before engaging a governess for their children inquired about her competence to teach political economy. on Political Economy, by Mrs Marcet (1816). Elistrations of Political

by Mas Martineau (9 vols., containing thirty stores, 1812-34).

MALTHUS.

tant was the antagonism which their theories aroused in the minds of the working classes. Pessimists unwittingly often do more for progress than optimists. To these two writers fell the task of criticizing economic doctrines and institutions, a task that has been taken up by other writers in the course of the century, but which seems as far from completion as ever. Karl Marx, another critic, is intellectually a scion of the Ricardian family. It would be a mistake to imagine that all their theories savour of pessimism, but their reputation has always been more or less closely linked with the gloomier aspect of their teaching.

# I: MALTHUS 1 Some Long

Malthus is best known for his "law of population." That he was a great economist, even apart from his study of that question, might easily be proved by reference to his treatise on political economy, or by a perusal of the many miscellaneous articles which he wrote on various economic questions. A consideration of many of these theories, notably the theory of rent, must be postponed until we come to study them in connexion with the name of Ricardo.

### THE LAW OF POPULATION

Twenty years had elapsed since the publication of Smith's immortal work, without economics making any advance, when the appearance of a small anonymous volume, known to be the work of a country tlergyman, caused a great sensation. Even after the lapse of a century the echo of the controversy which it aroused has not altogether passed

<sup>1</sup>Thomas Robert Malthus was born in 1766. His father, a country gentleman, was a man of learning and a friend of most of the philosophers of his time, especially Hume, and, it also seems, J. J. Rousseau. He was the youngest son of the family, and was intended for the Church and given an excellent education. After leaving Camhidge he took a living in the country, but in 1807 was appointed professor at a

slege founded by the East India Company at Haileybury, in Herifordshire, where temained until his death in 1834. He married when thirty-nine years of age, and ad three sons and a daughter.

Malthus was a young unmarried clergyman living in a small country parish when, the age of thirty-two, he in 1798 published anonymously his famous Essay on the radile of Population as it affects the Future Improvement of Society His critics were legion. n order to devote more study to the subject, he took a three years' tour (1799-1802) o the Continent - avoiding France, because France at this period was anything but mong to an Englishman. In 1803 he published—under his own name this time—a tood edition, much modified and amplified, and with a slightly different title: An you have the Principle of Population, or a Youn of its Past and Present Effect on Human land. layoues. Four other editions were published during his histime-

We must not forget his other works, although they were all echipsed by his earliest that These were: The Principles of Political Economy considered with a View to their Prachad App nation (1820); A Series of Short Studies dealing with the Corn Laws (1814-15); On Red (1815); The Poor Law (1817); and finally his Definitions in Political Economy (1827).

only the fringe of economics, seeing that it is chiefly a statistical stud of population, or demography, as the science is called to-day. But this new science, of which Malthus must be regarded as the founder was separated from the main trunk of economics at a much later date Furthermore, we shall find that the influence of his book upon al economic theories, both of production and distribution, was enormous The essay might even be considered a reply to that of Adam Smith The same title with slight modification would have served well enough and James Bonar wittily remarks that Malthus might have headed it An Essay on the Causes of the Poverty of Nations. The attempt to explain the persistence of certain economic pheno

mena by connecting them with the presence of a new factor, biological in its character and differing in its origin both from personal interest and the mere desire for profit, considerably expanded the economic

horizon and announced the advent of sociology. We know that Darwin himself acknowledged his indebtedness to the work of Malthus for the first suggestion of what eventually became the most celebrated scientific doctrine of the nineteenth century, namely, the conception of the struggle for existence and the survival of the fittest as one of the mainsprings of progress. There is no necessity for thinking that the dangers which might result from an indefinite growth of population had not engaged the attention of previous writers. In France Buffon and Montesquieu had already shown some concern in the matter. But a numerous population was usually regarded as advantageous, and fear of excess was

never entertained inasmuch as it was believed that the number of people would always be limited by the available means of subsistence.1 This was the view of the Physiocrat Mirabeau, stated in his own characteristic fashion in his book L'Amı des hommes, which has for its sub-title Traits de la population. Huch a natural fact as the growth of population could possess no terrors for the advocates of the 'natural order.' But in the writings of Godwin this "natural" optimism assumed extravagant proportions. His book on Political Justice appeared in 1793 and greatly impressed the public. Godwin, it has been well said, was the first anarchist who was also a doctrinaire. At any rate he seems to have been the first to employ that famous phrase, "Government even in its best state is an evil." His illimitable confidence in the future of society and the progress of science, which he thought would result in such a multiplicity of products that half a day's work would be sufficient to satisfy every need, and his belief in the

See Stangeland, Pre-Malthurian Dormuss (New York, 1994).

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efficacy of reason as a force which would restrain personal interest and check the desire for profit, really entitles him to be considered a pioneer. But life having become as pleasant, was there no possibility that men might then multiply beyond the available means of subsistence? Godwin was ignorant of the terrible intricacies of the problem he had thus raised, and he experienced no difficulty in replying that such a result, if it ever came to nam, must take several centuries. for reason may prove as powerful in controlling the sexual instinct as in restraining the desire for profits. Godwin even goes so far as to outline a social State in which reason shall so dominate sense that reproduction will crase altocriber and man will become immortal."

Almost at the same time there appeared in France a volume clowly resembling Godwin's, entitled Ecourse d'un Tableau husonque des trorits & Pepril karnain, written by Condorcet (1701) It duplays the same confidence in the possibility of achieving happiness through the allpowerful instrumentality of science, which, if not destined actually to overcome death, was at least going to postpone it indefinitely. This optimistic book, written by a man who was about to posson himself in order to escape the guillotine, cannot leave us quite unmoved. But, death abolished. Condorcet finds that he has to face the old nuestion propounded to Godwin: "Can the earth always be relied upon to supply sufficient means of subsistence?" To this question be gives the same answer: either science will be able to increase the means of subsistence or reason will prevent an inordinate growth of population.

It was inevitable, in accordance with the law of rhythm which characterizes the movements of thought no less than the forces of nature, that such hasty optimism should provoke a reaction. It was not long in coming, and in Malthus's essay we have it developed in fullest detail

To the statement that there are no limits to the progress of manind either in wealth or happiness, and that the fear of over-population illusory, or at any rate so far removed that it need cause no apprecusion, Malthus replied that, on the contrary, we have in population n almost insurmountable obstacle, not merely looming in the distant sture, but pressing and insistent -the stone of Sisyphus destined to be

Godwin, Political Justice, Book VIII, chapter via (reprinted, London, 1890)

<sup>\*\*</sup>Man doubtless will never become immortal, but it is possible that the span of man lie may be indefinitely prolonged "
"Chapter cut is entitled "The Error of Thinking that the Danger resulting from

opulation is Remote." "There are few States in which there is not a constant effort the population to increase beyond the means of subsistence. This constant effort a commandy trade to subject the lower classes of society to dutress, and to prevent my great permanent amelioration of their condition," (P. 10.)

the cause of humanity's ceawless toil and final overthrow, Nature hi planted an instinct in man which, left to itself, must result in starvatio and death, or vice.) This is the one fact that affords a clue to men suffering and a key to the history of nations and their untold woes.

Every one, however little acquainted with sociological study, know something of the memorable formula by which Malthus endeavoure to show the contrast between the frightful rapidity with which popula tion grows when it is allowed to take its own course and the relative slowness in the growth of the means of subsistence. The first is repre sented by a geometrical series where each successive number is a multiple of the previous one. The second series increases in arithmetical progression, that is, by simple addition, the illustration being simply a series of whole numbers:

	i i	3	4 3	8 4	16 5	32 6	6 <sub>4</sub>	128 8	256 9	512 10	
Every term corresponds to a period of twenty-five years, and a glance											

at the figures will show us that population is supposed to double every twenty-five years, while the means of subsistence merely increases by an equal amount during each of these periods. Thus the divergence between the two series grows with astonishing rapidity. In the table given above, containing only nine terms, the population figure has Free already grown to twenty-seven times the means of subsistence in a period of egg years. Had the series been extended up to the hundredth 250 term a numerical representation of the divergence would have required

some ingenuity.

The first progression may be taken as correct, representing as it does the biological law of generation. The terms 'generation' and 'multiplication' are not used as synonyms without some purpose. It is true that doubling supposes four persons to arrive at the marriageable age, and this means five or six births if we are to allow for the inevitable wastage from infant mortality. This figure appears somewhat high to those who live in a society where limitation of the birthrate is fairly usual. But it is certain that among living beings in general, including humankind, who are least prolific, the number of births where no restraint of any kind exists is really much higher. Women have been known to give birth to twenty or even more children. And there are no signs of diminishing capacity among the sexes, for population is still growing. In taking two as his coefficient Malthus. has certainly not overstepped the mark.1

If two children were the normal issue of every marriage, population would evidently diminish, for all the children will not reach the marriageable age. Of those

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The period of twenty-five years as the interval between the two 4. terms is more open to criticism.1 The practice of reckoning three generations to a century implies that an interval of about thirty-three years must elapse between one generation and another.

But these are unimportant details. It is immaterial whether we lengthen the interval between the two terms from twenty-five to thirty-three years, or reduce the ratio from 2 to 11, or even to something between 11 and 116. The movement will be a little slower, but it is enough that its geometrical character should be admitted, for however slow it moves at first it will grow by leaps and bounds until it surpasses all limits. These corrections fail to touch the real force of

Malthus's reasoning concerning the law of reproduction The series representing the growth of the means of subsistence is .

entreiter.

also open to criticism. It is evidently of a more arbitrary character, and we cannot say whether it is simply supposed to represent a possible contingency like the first, or whether it pretends to represent reality. At least it does not correspond to any known and certain law, such as the law of reproduction. As a matter of fact it rather seems to give it the lie; for, in short, what is meant by means of subsistence unless we are to understand the animal and vegetable species that reproduce themselves according to the same laws as human beings, only at a much faster rate? The power of reproduction among plants, like corn or potatoes, or among animals, like fowls, herrings, cattle even, or sheep, far surpasses that of man. To this criticism Malthus might have replied as follows. This virtual power of reproduction possessed by these necessaries of life is in reality confined to very limited areas of the habitable globe. It is further restricted by the difficulty of obtaining the proper kind of nourishment, and by the struggle for existence. But if we admit exceptions in the one case why

t also in the other? It certainly seems as if there were some incon-

t do all will not become parents. Experience seems to show that with a birthof less than three per family population does not increase, or if it does grow at all salmost imperceptibly. This is the case in France, where on an average there are

o births to every marriage.

To justify multiplying by two, Malthus regards a family of six as being a normal Of the six, two will die before attaining marriageable age, or will remain celi-

tes, so that we are left with four, who will in turn become parents, and so we have series 2, 4, etc. The statement that population doubles every twenty-five years might appear

be confirmed by the growth of population in the United States. It is curious to we confurmed by the growth of population in the United States at is curious to d that the population there during the nineteenth century conforms exactly to althora formula. In 1800 it was a millions Doubling four times (4 periods of 25 states 100) gives us a population of 80 millions, which is actually the figure for 0.5 from the confusion of 100 millions, which is actually the figure for 05, five years after the end of the century. But of course this is pure chance, the trease resulting from immigration rather than a rising birth-rate.

sistency here. As a matter of fact we have two different these. To one attempts to show how multiplication or reproduction need of encessity the less rapid among plants or animals than it is amount. The other expresses what actually happens by showing the the obstacles to the indefinite multiplication of men are not ke numerous than the difficulties in the way of an indefinite multiplic

tion of vegetables or animals, or, in other words, that the former is function of the latter. In order to grasp the true significance of the second formula : must be translated from the domain of biology into the region of economics. Malthus evidently thought of it as the amount of coryielded by a given quantity of land. The English economists could think of nothing except in terms of corn! What he wished to poin out was that the utmost we can expect in this matter is that the increase in the amount of the harvest should be in arithmetical progressionsay, an increase of two hectolitres every twenty-five years. This hypothesis is really rather too liberal. Lavonier in 1789 calculated that the French erop yielded on an average about 71 hectolities per hectare. Before the First World War it averaged about 16, and if we admit that the increment was regular throughout the 120 years which had since elapsed there was an increase of a hectolitres per 25 years. This rate of increase proved sufficient to meet the small increase which has taken place in the population of France. But would it have sufficed for a population growing as rapidly as that of England or Germany? Assuredly not, for these countries, despite their superior yields, are forced to import from outside a great proportion of the grain which they consume. The question arises whether France can continue indefinitely on the same basis during the course of the coming centuries. This is, indeed, unlikely, for there must be a physical limit to the earth's capacity on account of the limited number of elements it contains. The economic limit will be reached still earlier because of the increasing cost of attempting to carry on production at these extreme limits. Thus it seems as if the law of diminishing returns, which we must study later, were the real basis of the Malthusian laws, although Malthus himself makes no

express mention of it.

It is a truism that the number of people who can live in any place cannot exceed the number of people who can gain subsistence there.

Any excessive population must, according to definition, die of hunger.

cannot exceed the number of people who can gain substatent un-Any excessive population must, according to definition, die of hunger.

<sup>1</sup> It was in this connexion that Mathus penned those famous worth which fave been so frequently brought up against him, although they were omitted from a law reducen. "A man who is born into a world already possessed, if the cannot give them." This is just what happens in the animal and vegetable kingdoms. Germs are extraordinarily prolife, but their undue multiplication is pitilessly retarded by a law which demands the death of a certain proportion, so that life, like a well-regulated reservoir, always remains at a mean level, the terrible gaps made by death being replenshed by a new flow. Among savages, just as among animals, which they much resemble, a large proportion literally dies of hunger. Malthus devoted much attention to the study of primitive society, and he must be regarded as one of the pioneers of prehistoric sociology—a subject that has made much headway since then.

He proceeds to show how insufficient nourishment always brings a thousand evils in its train, not merely hunger and death, but also epidemics and such terrible practices as cannibalism, infanticide, and shaughter of the old, as well as war, which, even when not undertaken with a definite view to eating the conquered, always results in robbing them of their land and the food which it yielded. These are the 'positive' or 'repressive' checky

But it may be replied that both among savages and animals the cause of this insufficiency of food is an incapacity for production rather than an excess of population.

Mathus has no difficulty in armstring this objection by showing how starge customs prevailed among such civilized people at the Greeks. And even among the most modern nations the repressive checks, somewhat militigated it is true, are never really absent. Famine in the sense of absolute starvation is seldom experienced nowadays, except perhaps in Russia, but it is by no means a stranger even to the most advanced communities. Tuberculosis, which involves such teribile bodily suffering, is nothing but a deadly kind of famine. Lack of food is also responsible for the abnormally high rate of infant mortality and for the premature death of the adult worker. As for war, it still demands its toll. Mathus was living during the wars of the Revolution and the First Empire—bloody catastrophes that caused the death of about ten million men, all in the prime of life.

In civilized communities equilibrium is possible through humaner methods, in the substitution of the preventive check with its reduced birth-rate for the repressive check with its abnormal death-rate. Here is an expedient of which only the rational and the provident can avail

ribatines from his parents on whom he has a just demand, and if the society do not work in liboury, has no claim of rejet to the smallest portion of food, and, in fact, has an observe to be where he is. At Nature's mighty feat there is no secant cover for the best him to be gone. . . . "On the other hand, let us remember his services in recogniting proble assistance in England in 1829.

sistency here. As a matter of fact we have two different theses. The one attempts to show how multiplication or reproduction need no of necessity be less rapid among plants or animals than it is among men. The other expresses what actually happens by showing that he obstacles to the indefinite multiplication of men are not les numerous than the difficulties in the way of an indefinite multiplication of vegetables or animals, or, in other words, that the former is a function of the latter.

In order to grasp the true significance of the second formula it must be translated from the domain of biology into the region of economics. Malthus evidently thought of it as the amount of corn yielded by a given quantity of land. The English economists could think of nothing except in terms of corn! What he wished to point out was that the utmost we can expect in this matter is that the increase in the amount of the harvest should be in arithmetical progressionsay, an increase of two hectolitres every twenty-five years. This hypothesis is really rather too liberal. Lavoisier in 1789 calculated that the French crop yielded on an average about 72 hectolitres per hectare. Before the First World War it averaged about 16, and if we admit that the increment was regular throughout the 120 years which had since elapsed there was an increase of a hectolitres per 25 years. This rate of increase proved sufficient to meet the small increase which has taken place in the population of France. But would it have sufficed for a population growing as rapidly as that of England or Germany? Assuredly not, for these countries, despite their superior yields, are forced to import from outside a great proportion of the grain which they consume. The question arises whether France can continue indefinitely on the same basis during the course of the coming centuries. This is, indeed, unlikely, for there must be a physical limit to the earth's capacity on account of the limited number of elements it contains. The economic limit will be reached still earlier because of the increasing cost of attempting to carry on production at these extreme limits. Thus it seems as if the law of diminishing returns, which we must study later, were the real basis of the Malthusian laws, although Malthus himself makes no express mention of it.

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If twas in this connexion that Makhus penned those famous words been so frequently brought up against him, although they were only ed ion. "A man who is hore into a world already possessed."

the free exercise of sexual connexion, whether within or without the marriage bond, through the practice of voluntary sterilization. All these preventive methods are grouped together as vices and their evil effects contrasted with the practice of moral restraint. Malthus is equally explicit on this point.

Indeed, I should always particularly reprobate any artificial and unnatural modes of checking population. The restraints which I have recommended are quite of a different character. They are not only pointed out by reason and sanctioned by religion, but tend in the most marked manner to stimulate industry. (P. 572.)

And he adds these significant words, so strangely prophetic so far as France is concerned: "It might be easy to fall into the opposite mistake and to check the growth of population altogether." It is quite needless to add that if Malthus thus made short work of con-

jugal frauds he all the more strongly condemned that other preventive method, namely, the institution of a special class of professional prostitutes.1 He would similarly have condemned the practice of abortion. of which scarcely anything was heard in his day, but which now appears like a scourge, taking the place of infanticide and the other barbarous practices of antiquity. Criminal law scems powerless to suppress it, and it has already received the sanction of a new morality.

But apart from the question of immoral practices, did Malthus really believe that moral restraint as he conceived of it would constitute an effective check upon population?

He doubtless was anxious that it should be so, and he tried to rouse men to a holy crusade against this worst of all social evils "To the Christian I would say that the Scriptures most clearly and precisely point it out to us as our duty to restrain our passions within the bounds of reason. . . . The Christian cannot consider the difficulty of moral restraint as any argument against its being his duty" (P. 452.) And to those who wish to follow the dictates of reason rather than the observances of religion he remarks: "This virtue [chastity] appears to be absolutely necessary in order to avoid certain evils which would otherwise result from the general laws of nature." (P. 452.)2

"The effect of anything like a promiscuous intercourse which prevents the birth of children is evidently to weaken the best affections of the heart and in a very marked manner to degrade the female character And any other intercourse would, without toproper arts, bring as many children into the society as marriage, with a much greater probability of their becoming a burden to it." (P. 450.)

These considerations show that the nature of chastity is not, as some have suppoed, a forced produce of artificial society; but that it has the most real and solid bundation in nature and reason; being apparently the only virtuous means of avoiding the vice and misery which result so often from the principle of population," (P. 450)

He sho notes that this virtue has usually been especially commended to women,

At bottom he was never quite certain as to the efficacy of moral restraint. The threatening hydra always pecred over the fragile shield of pure crystal with which he had hoped to do battle-t-He also fet that celibacy might not merely be ineffective, but would actually prove dangerous by provoking the vices it was intended to check. Its prolongation, or worse still its perpetuation, could never be favourable to good morals.

to good morals.

Alathus was faced with a terrible dilemma, and the uncompromising section is forced to declare himself a utilitarian philosopher of the Benthamite peruasion. He has now to condone those practices which satisfy the sexual instinct without involving maternity, although at an earlier stage he characterized them as vices. It seemed to him to be the leser of two evils, for over-population, is itself the cause of much immorality, with its misery, its promiscuous living and licence. All of which is very true. A the same time the rule of conduct now prescribed is no longer that of "perfect purity." It is, as he himself was the grand rule of utility. "Mr is clearly our duty gradually to

says, the grand rule of utility. "It is clearly our duty gradually to but that "there is no reason for supposing that the violation of the laws of chantly

but that "there is no reason for supposing that the violation of the laws of chantly are not equally dishonourable for both sexes." Malthus evidently believed in our moral law for both sexes.

Consequently whenever the reverend gentleman is repreached with encouraging

blapheny, a point upon which be it particularly emittive—for example, when it is pointed out that God's injunction to make was to increase and multiply—be has so difficulty in aboving that if procreation is the will of Providence, chastiny in decision by Cartinuarus, and that the glorous work of chastiny is to ald Providence in larging the balance of life even.

1° Of the other branch of the preventive check, which comes under the lead of

1 "Of the other branch of the preventive check, which comes under the bran wice, though its effect appears to have been very considerable, yet upon the whole its operation seems to have been inferior to the positive checks." (P. 140)

"I have said what I concrive to be strately true, that it is eard duty to defor married to can feed our children; and that it is also our duty not to indulgs ourselve in vicious gratification; but I have never said that I expected either, much he look of these duties to be completely fulfilled. In this and a number of other case, it was happen that the volation of one of two duties will make a number of other case, it was happen that the volation of one of two duties will make a man in perform the other with greater facility. The morelait is still bound to inculcite the practice of both duties, and see hid includual must be left to set as his conscience shall detaus." [6,56].

\*\*I should be extermely story to say anything which could first diverty or the control of the control of the control of the case of all the could remark anything control of the case of the control of t

where there is no mention of a titud alternative between charity and was "Abject powerty is a state the most unfavourable to charity that can will be conceived. ... There is a degree of squalled powerty in which if a girl was brought op that the property modes at powerty was an absolute miracle." [F gf-4]

chewhere he writes. "I maintain that the dimination of the vice which result from would afford a sufficient compensation for any other evil that might follow acquire a habit of gratifying our passion, only in that way which is unattended with evil." (P. 500.) These concessions only served to prepare the way for the Neo-Malthusians.

Malthus gives us a picture of man at the cross-roads. Straight in frost of him lies the road to misery, on the right the path of virtue, while on the left is the way of vice. Towards the first man is impelled by a blind instinct. Malthus warms him to rein in his desires and teck escape along either by-road, preferably by the path on his right. But he fears that the number of those who will accept his advice and choose "the strait road of salvation" will be very small. On the other hand, be is unwilling to admit, even in the secrecy of his own soud, that most men will probably follow the road that leads on to vice, and that masses will rush down the easy alope towards perdition. In any case the prospect is anything but inviting.

No doctrine ever was so much reviled. Imprecations have been showered upon it ever since Godwin's memorable description of it as "that black and terrible demon that is always ready to stifle the hopes of humanity."

Critics have declared that all Malthus's economic predictions have been falsified by the facts, that morally his doctrines have given rise to the most repugnant practices, and not a few French writers are prepared to hold him responsible for the decline in the French birthrigh. What are we to make of these criticisms.

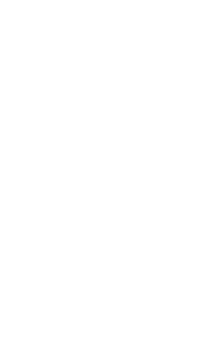
History certainly has not confirmed his fears. No single country has shown that it is suffering from over-population. In some cases—that of France, for example—population has increased only very slightly. In others the increase has been very considerable, but nowhere has it outstriped the increase in wealth.

The following table, based upon the decennial censuses, gives the per capita wealth of the population of the United States, the country from which Malthus obtained many of his data:

Year		Dollars	Year	Dollars
1850 1860		. 308	18go .	. 1036
1850		. 514	1900 .	. 1227
1880	•	. 780	1905 .	1370

In fifty years the wealth of every inhabitant has more than quadrupled, although the population in the same interval also shows a fourfold increase (22 millions to 92 millions).

These figures only give the values expressed in money by capitalizing them at the market rate of interest, which gives a rather factitious result. It does not warrant



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instinct which rouses the most impetuous of passions and is common to all men. The second is frequently social and religious in its origins, assuming different forms according to the exigencies of time and place.

To the religious receives who adopted the laws of Moses, of Many.

To the religious peoples who adopted the laws of Moses, of Manny, or of Confucius to beget issue was to ensure salvation and to realize true immortality. For the Brahmin, the Chinese, or the Jew not to have children meant not merely a misfortune, but a life branded with followe. Among the Greeks and Romans the rearing of children was a sacred duty laid upon every citizen and patriot. An aristocratic acts demanded that the glories of its ancettors and founders should never be allowed to perish for the want of heirs. Even among the working classes, whose lot is often miserable and always one of conomic dependence, there are some who are buoyed up by the hope that the more children they have the larger will be their weekly carnings and the greater their power of enlisting public sympathy. And in every new country there is a demand for labourers to cultivate its virginated and to build up a new people.

The reproductive fratinct, on the other hand, may be thwarted by anagonistic forces—by the selfishness of parents who shun their responsibilities, or of mothers who dread the pains and perils of child-bearing; by the greed of parents who would endow old age rather than foster outly by the desire of women to enjoy independence rather than seek marriage; by the too early emancipation of children, which leaves to be parents no gains and no joys beyond the cost and trouble of up-singing; by insufficient house-room or exorbitant taxation, or by any me of a thousand causes.

Thus the considerations that influence reproduction are infinitely varied, and being of a social character they are neither necessary nor permanent, no yet universal. They may very well be defacted by motives that belong to the social order, and this is just what happens. And it is at least possible to conceive of a state of society where religious faith has vanished and patriotism is dead, where the family lasts only for one generation, and where all land has been appropriated so that the calling of the father is denied to the son; where existence has again

A-By a on a man obtains victory over all people, by a son's son be enjoys innecelally; and afterwards by the son of that grandson he reacher the solar abode." The son delaw the father from hell "A son of a Brahmin if he performs warmous with referran form in the father form the "A son of a Brahmin in the performs warmous with referran from ain his ten ancresson" (P. 103)

This is become as may see accessor in the contract of the concretion. But he failed to see that we which Mathiau quotes in support of the concretion. But he failed to see that we will be contracted to the contract of the c

become nomadic and suffering unbearable, and where marriage, easily annulled by divorce, has become more or less of a free union. In such a community, with all incentives to reproduction removed and all antagonistic forces in full operation, the birth-rate would fall to zero. And if all nations have not yet arrived at this stage they all seem to be tending towards it. It is true that a new social environment may give rise to new motives. We believe that it will, but as yet we are ismorant of the nature of these promotines.

Taradoxical as it may seem, the sexual instinct plays quite a secondary role in the procreation of the human species. Nature doubtles has united the two instincts by giving them the same organs, and those who believe in final causes can admire the ruse which Nature has adopted for securing the preservation of the species by coupling generation with sexual attraction. But man has displayed ingenuity even greater than Nature's by separating the two functions. He now finds that (since he has known how to get rid of reproductions) he can gratify his lust without being troubled by the consequences. The feats of Malthus have vanished; the other spectre, race suicide, is now casting a gloom over the land.

Malthus's condemnation of such practices was of little avail. Other moralists more indulgent than the master have given them their sanction by endeavouring to show that this is the only way in which men can perform a double function, on the one hand giving full scope to sexual instinct in accordance with the physiological and psychological laws of their being, and on the other taking care not to leave such a supreme duty as that of child-bearing to mere chance and not to impose upon womankind such an exhausting task as that of maternity save when freely and voluntarily undertaken. This is quite contrary to the pastor's teaching concerning moral restraint. The Neo-Malthusians, on the other hand, consider his teaching very immoral, as being contrary to the laws of physiology, infected with ideas of Christian asceticism, and altogether worse than the evil it seeks to remedy. His rule of enforced celibacy might, in their opinion, involve more suffering even than want of food, and late marriages simply constitute an outrage upon morality by encouraging prostitution and increasing the number of illegitimate births. The Neo-Malthusians

In recent years this movement has acquired unexpected strength almost exerwhere, but especially in France, where it certainly seconed quite superfluxous. The origins and history of the New Mallimain movement were recounted by M. Cheshati in 1934 in a book entitled its measurest to Brist Cannel deast in pay a degle-factor fastion below of Finished & shirt sumpet of Egys, Vol. XXXIII. The movement of Bristdown of the Cannel Flace, the eccentric tallor who was connected with the beginning of Englah and cunionism and whose papers have provided material for all the historical or that

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penist in regarding themselves as his disciples because they think that he clearly demonstrated—despite himself, perhaps—"flat the exercise of the blind instinct of reproduction must result in the multiplication of human beings who are faced by want and disease and liable to sudden extinction or slow degradation, and that the only way of avoiding this is to check the instinct.

There is reason to believe, however, that were Malthus now alive he would not be a Neo-Malthusian. He would not have willingly pardoned his disciples the prepertation of sexual frauds which enable man to be freed from the responsibilities which Nature intended him to bear. Nevertheless we must recognize that the concessions which he made prepared the way for this further development.

Malthus did not seem to realize the full import of these delicate questions which contributed so powerfully to the overthrow of his doctrine. Especially is this true of the emphasis which he laid upon thastity, involving as he thought abstention from the joys of marriage. Such celibacy he would impose only upon the poor.1 The rich are obviously so circumstanced that children cannot be a hindrance. We know well enough that it was in the interests of the poor "temselves that Malthus imposed his cruel law "not to bring beings ito the world for whom the means of support cannot be found." ut that does not prevent its emphasizing in the most heartless fashion naginable the inequality of their conditions, forcing the poor to hoose between want of bread and celibacy. Malthus gave a quietus the old song which eulogizes love in a cottage as the very acme of appiness. It is only just to remark, however, that he does not go so at as to put an interdict upon marriage altogether, which has been he case in some countries. The old liberal economist asserts himself iere. He sees clearly enough that, leaving aside all humanitarian considerations, the remedy offered would be worse than the evil, for its only result would be a diminution in the number of legitimate

movement. His propagands dates from the 1820's and is directly associated with the ideas of Malthus. The first book on the subject was that published anonymously in 1834 by Dr Dryadia, entuited Element of Scried Science, but it was not fill 1837 that Dryadia founded the Malthurian Luague. It has sunce made rapid progrem in America and England.

Ille estepoically defalese that "we must suppose the general prevalence of such reviewing habits among the poor as would prevent them from manying when the study price of labour jounds to what they might have saved in their single state would not give them the prespect of bring able to support a wife and fire or as which prevently assistance." (P. 356). Marriage seems problimed to very worker whose well-best assistance." (P. 356) and the working the problem would mean that to work man could marrie the problem provide prevently provide prevently provided the provided prevently provi



Whatever opposition Malthus's doctrines may have aroused, his teaching has long since become a part and parcel of conomic science. Occasionally it has thwarted legitimate claims, while a tother tumes it has been used to buttress some well-known Classical doctrine, such as the law of rent or the wages fund theory. On more than one occasion it has done service in the defence of family life and private property, two institutions which are supposed to act as effective checks upon the growth of population, because of the responsibilities which they involve.

The population question has lost none of its importance, although that somewhat changed its aspect. What Malthus called the preventive check has got such a hold of almost every country that modern exconomiat and sociologists are concerned not so much with the question of an unlimited growth of population as with the regular and universal decline of the birtherate. It has already been predicted a come countries that in a short time the population will either become stationary or begin to fall. What is called the "net reproductions rate" has falled in some countries of Northern, Central, and Western Europe below that which is necessary to keep the population at the esting level.]

It is generally agreed, however, that these causes are not natural or pathological laws, but simply the deliberate wall of parents to have no children or to limit their number.<sup>3</sup> But this explains nothing at <sup>3</sup>It is not proved, however, that such were Malibus's views. Firsts property, set

lest pexant propriescosity, ace as a simular to population. And it a very carrous to that that the bould have taken in silicuration from France, where the multiplication of mail farms is considered one of the causes of the falling burth-rate. "At all times the number of mail farms and propeleters in France vasa presa, and though such a tast of things is by no means favourable to the clear suspitu produce of the properties of the continuous times of the absolute continuous times. The proposition of the absolute continuous times of the continuous times of the absolute continuous times of the continuous times of the continuous times of the absolute continuous times of the continuous times of the absolute continuous times of the continuous time

that for an expression representation of the first properties of the date of t

<sup>a</sup> See La Population de la France, by Huber, Bunle, and Boverat (Hachette, Paris), p. 185.

There are some sociologuss who, like Malthus, would seek an explanation both of depopulation and of over-population in biological causes. Fourier and Doubleday, for example, are among the number. Doubleday, who wrote forty years before

all, for the question is why people no longer wish to have children, and, in regard to France, why this deliberate abstinence-which in most countries began only in the latter half of the nineteenth century, though it is of longer standing in France-has increased so much. To explain it we must discover its causes, which are not peculiar to France or to our own generation, and which should therefore be observable elsewhere, though perhaps in different proportions. It may be as Paul Leroy-Beaulieu believes, that a fall in the birth-rate results simply from the progress of civilization-rather too flattering an explanation in the case of France-creating needs and expenses incompatible with the duties and burdens of parenthood. Or we may agree with Dumont,1 who ascribes it to the progress of democracy, which stimulates the desire to succeed, to rise more quickly and as high as possible-what he calls very ingeniously the law of cabillarity. Or again we may attribute it to more specific causes, varying from one school of thought to another, such as the system of equal inheritance, as the Le Play school believes, or the weakening of moral and religious beliefs, which is the view of Paul Bureau, or intemperance in all its forms, such as debauchery, alcoholism, and so forth. One of the most interesting explanations is that suggested by Landry in his La Révolution démographique.1 According to this view there are "populational systems" which are not the same in all periods or in all human groups. He distinguishes three of these, corresponding to three groups of doctrines, and defines them as follows: "In some communities marriages and births are unrestrained, the standard of life-at all events for the most pumerous class-is fixed at what is called 'subsistence level,' and the death-rate may be said to determine population changes. In certain other communities the aim of parents is to secure for their children the same conditions as they themselves enjoy. In this case the standard of life is above subsistence level, but there is no voluntary limitation of procreation and it is by variations in the marrage-rate that the object aimed at is (more or less successfully)

Malthus, believed that focusdary wared sovenely with substitutes, and that the seried as a land of natural cheek upon the growth of population. There are other, again, who that that reproductive expancy wasne substructive silvations from the nagent a land of oppositions between the development of the sub-valual and the propose of the state which a very suggressive. But their soveh laws using passed many affordation. If they are ever proved, which is not very labely, the proport is not an structive one. It would means that these nations and these who have rese to a position of case through their superior culture would disappear, while the proper, such them that would disappear, while the proper, such that make would contain to increase.

Andre Dunnet, La Capillariti secula (Para, 1849).

Sucry, Para, 1934. Landry's theory has been dealt with by the Belgian recommed and statements Armand John in the Rose pairwenness is Makeupa Ser 1943 and 1943.

schieved. What we see nowadays in the most civilized countries is population changes determined principally by variations in the birth-rate; birth control is commonly practiced, partly from the desire not to be burdened with the expense of a large family, and partly so that the children may live in greater comfort than their parents and rise higher in the social scale!" (p. 202). The true cause of the decline in the birth-rate would therefore be that "rationalization" which since the eighteenth century has been introduced into all parts of life, whether public or private, in place of the former devotion to tradition, custom, and instinct (p. 40). "Ofter writers, such as Sausy, interest of dwelling on the causes of the decline in the birth-rate, have tried to define what is nowadays called the "optimum" population—a difficult concept to define precisely—and have calculated the results and grapercussions of the decline on production and financial conditions in the countries in which it occurs.

These researches, however useful they may be, still leave unvolved the mystery of the forces that determine at any given moment the tapid increase, the stagnation, and even the decline of a population. These forces have roots going down into the depths of man's instinctive feelings, where it is hardly permistible for the sociologist or the renomint to reach them and analyse them. All we can say is, like the German demographer Momlert, that a higher degree of comfort and well-being acts more often as a restraint than as a stitulus.

## II RICARDO

Next to Smith, Ricardo is the greatest name in economica, and future continency has central found his name than ever raced around the materia. Smith founded no school, and his wisdom and moderation assed him from continents. Hence every concennit, sharteer haties, is found sitting at his feet straining to catch the divine accents as they full from his lies.

But Ricardo was no dweller in entered regions. He was in the highest of the fight—the but of every shaft. In documions on the question of method the attack is always derived against Ricard, who is charged with lengt the first to lead the accuracy into the fitudes paths of alwarsaion. The Ricardon theory of rest of fived a target Le civis. Matsian in his process attack upon private property. The Ri and, as theory of salors of the station quint of in steen availables. I havely that he could be are law discovered, however this in the method of the could be are law of discovered, however the ten the method of the could be are law of discovered, however the ten to be the salor discovered.

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<sup>\*</sup> Redome of publishers - 1944 \* Manifest buy showard mans words to the shownestration of this the

taste. The same thing is true of controversies concerning banks of issue and international trade; Ricardo's place was ever with the vanguard.

His defects are as interesting as his merits, and have been equally influential. Of his theories, especially his more characteristic ones, there is now little left, unless we recall what is after all quite as important-the criticisms they aroused and the adverse theories which they begot. The city banker was a very indifferent writer, and his work is adorned with none of those beautiful passages so characteristic of Smith and Stuart Mill. No telling phrase or striking enithet ever meets the eye of the reader. His principal work is devoid of a plan, its chapters being mere fragments placed in juxtanosition. His use of the hypothetical method and the constant anneal to imaginary conditions makes its reading a task of some difficulty. This abstract method has long held dominion over the science, and it is still in full activity among the Mathematical economists. His thoughts are penctrating, but his exposition is frequently obscure, and a remark which he makes somewhere in speaking of other writers, namely, that they seldom know their own strength, may very appropriately be applied to him. But obscurity of style has not clouded his fame. Indeed, i has stood him in good stead, as it did Marx at a later date. We hardly like to say that a great writer is unintelligible—a feeling prompted partly by respect and partly arising out of fear lest the lack of intelligence should really be on our side. The result is an attempt to discover a profound meaning in the most abstruse passage-an attempt that is seldom fruitful, especially in the case of Ricardo.

It is clearly impossible to outline the whole of this monumental work. We shall content ourselves with an attempt to place the leading conceptions clearly before our readers.

<sup>1</sup> David Rizardo was descended from a Jewah family originally domidled in Holland. He was been in 173 in Lordon, where his father had settled as a notbroker. He entered bunness at an early age, and soon became thoroughly conversat with the intricacion of banking and exchange. On the occasion of his marriage he changed bis religion, and thus incurred the displeasure of his familiar marriage is changed bis religion, and thus incurred the displeasure of his familiar to a long the control of the control of the control of the control of the at host of famoon—in concensus unit for the day g is huge forum, emisted at host of famoon—in concensus unit for the day g is huge forum, emisted

as about £2,000,000—an enormous sum for those days.

Assumilly comple, his extless interest in economic centred most banking questions. The French wars had caused a depreciation in the value of the bankonics and his assumed the interest not only of the specialists, but also give the bankonics and his assumed the interest not only of the specialists, but also give the polic. His first produced the specialists of the policy of the produced of the policy of the produced of Bankonics. It was soon followed by the produced of the produced of

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Speaking generally. Ricardo's chief concern is with the distribution of wealth. He was thus instrumental in opening up a new field of economic inquiry, for his predecessors had been largely engrossed with production. "To determine the laws which regulate this distribution is the principal problem in political economy." We have already some acquaintance with the tripartite division of revenues corresponding with the threefold division of the factors of production—the rent of land, the profits of capital, and the wages of labour. Ricardo wanted to determine the way in which this division took place and what laws regulated the proportion which each claimant got. Although unhampered by any preconceptions concerning the justice or injustice of distribution, we can easily understand how he ushered in the era of polemics and of socialistic discussion, seeing that the natural laws pale into insignificance when contrasted with the influence wielded by human institutions and written laws. The latter override the former, and individual interests which may co-operate in production frequently prove antagonistic in distribution.

We shall follow him in his exposition of the laws of rent, wages, and profits, but especially rent, for according to him the share given to bland determines the proportions which the other factors are going to receive

One would imagine that an indepensable preliminary to this study would be an examination of the Ricardian theory of value, especially when we recall the importance of his theory of labour-value in the history of economic doctrine and how it prepared the way for the Marxian theory of surplus value, which is the foundation-stone of tentenporary socialism. Despite all this we shall only refer to his theory of value incidentally, and chiefly in connexion with the laws of distribution. We have Ricardo's own authority for doing this: "After all, the great problem of rent, of wages, or profits might be circidated by determining the proportions in which the total product the bisiness man reads hardly have geneed that it would shake the espitalistic edifice to very foundations."

In 1819 the war elected a member of the Home of Commons, but he was as indifferent a speaker as he was a wifer. He was always bettered to, however, with the Pariots respect. "I have two a sitempred to speak," he write, "but I proceeded in the most enharmand manner; and I have no hope of conquering the alarm with which I am assaled the moment I hear the sound of my own vote." In 1821 he builded the Policial Economy Cubb, the earliest of those numerous secretar for the nody of economic subjects which have since been established in every country. In 1823 he published a work on Protestian at Agrachian. The following year he died

note in published a work on Protestine to Agriculture. The following year he died at the comparatively early age of fifty-one. Since his death all his writings have been carefully collected, and his correspondence

with the chief economists of his day, with Malthus, McCulloch, and Say, published The correspondence is extremely important for an understanding of his doctrines.

is distributed between the proprietors, the capitalists, and the workers, but this is not necessarily connected with the doctrine of value."

It is, moreover, probable that Ricardo himself did not begin with an elaborate theory of value from which he deduced the laws of distribution, but after having discovered, or having convinced himself that he had discovered, the laws of distribution he attempted to deduce from them a theory of value. One idea had haunted him his whole life long-namely, that with the progress of time nature demanded an ever-increasing application of human toil. No doubt it was this that suggested to him that labour was the foundation, the cause, and the measure of value. But he never came to a final decision on the question, and his statements concerning it are frequently contradictory. We must also confess that his theory of value is far from being his most characteristic work. In the elucidation of that difficult question, vigorous thinker though he was, he has not been much more fortunate than his predecessors. He himself acknowledged this on more than one occasion, and shortly before his death, with a candour that does him honour, he recognized his failure to explain value.

## I. THE LAW OF RENT

Of all Ricardian theories that of rent is the most celebrated, and it is also the one most indeparably connected with Ricardo's name. So well known is it that Stuart Mill spoke of it as the economic pon aninoum, and it has always been one of the favourite subjects of examiners.

The question of rent—that is, of the return which land yields—had occupied the attention of others besides Ricardo. It was the burning question of the day. The problem of rent dominated English political economy during the first half of the nineteenth century, and a late period has witnessed a revival of it in the land nationalization policy of Henry George. In France there was but a feeble echo of the controversy, for France even long before the Revolution had been a country of small proprietors. Landlordism was far less common there, and where it existed its characteristics were very different. That threefold hierarchy which consisted of a worker toiling for a daily wage in the employ of a capitalist farmer who draw his profits towered

Letter to McCulloch, July 13, 1820, quoted by H. Dents, Vol. II, p. 171.
<sup>3</sup> In his correspondence with McCulloch, under date December 18, 1819, he writes:
"I am not satisfied with the explanation which I have given of the principles which

regulate value. I wish a more able pen would undertake it."

In a letter to Mathou written on August 15, 1820, speaking of his own theory of
value and of McCulloch's, he depairingly adds: "Both of us have failed." See
Halevy, Le Radicalisms philosophique, and Hector Denis, ep. cl.

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over by a landlord in receipt of rents formed a kind of microcosmic picture of the universal process of distribution, but it was seldom as clearly seen in France as it was in England.

The first two incomes presented no difficulties. But how are we to explain that other income—that revenue which had created English artistoracy and made English history falls Physiocrasts had named it the "net product," and they argued a liberality of nature and a gift of God. Adam Smith, although withholding the title of creator from nature and bestowing it upon labour, nevertheless admits that a notable portion—perhaps as much as a third of the revenue of land—is due to the collaboration of nature.\(^1\)

Malthus had already produced a book on the subject." and Ricardo hails him as the discoverer of the true doctrine of rent. Malthus takes as his starting-point the explanation offered by the Physiocrats and Adam Smith, namely, that rent is the natural outcome of some special feature possessed by the earth and given it by God-that is, the power of enabling more people to live on it than are required to till it. Rent is the result, not of a merely physical law, but also of an economic one. for nature seems to have a unique power of creating a demand for its products, and consequently of maintaining and even of increasing indefinitely both its own revenue and value. The reason for this is that the population always tends to equal and sometimes to surpass the means of subsistence. In other words, the number of people born is seldom less than the maximum number that the earth can feed. This new theory of rent is a simple deduction from Malthus's law concerning the constant pressure of population upon the means of subsistence.

Malthus emphasized another important feature of rent, and it was this characteristic that especially attracted Ricardo. Seeing that different parts of the earth are of unequal fertility, the capitals employed in cultivation must of necessity yield unequal profits. The difference between the normal rate of profit on mediocre lands and the superior rate yielded by the more fertile land constitutes a special kind of profit which is immediately seized by the owner of the more fertile land. This extra profit afterwards became known as differential rent.

To Malthus, as well as to the Physiocrats, this kind of rent seemed perfectly legitimate and conformed to the best interests of the public. It was only the just recompense for the "strength and talent" exercised

<sup>&</sup>lt;sup>1</sup> Smith had likened industry to a household with two children—wages and profits, afficulture to a household with three—wages, profits, and rent.

As Japany anto the Nature and Progress of Rose (1815).

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## I. THE LAW OF RENT

Of all Ricardian theories that of rent is the most celebrated, and it is also the one most inkeparably connected with Ricardo's name. So well known is it that Stuart Mill spoke of it as the conomic pass asinorum, and it has always been one of the favourite subjects of examiners.

The question of rent—that is, of the return which land yields—had occupied the attention of others besides Ricardo. It was the burning question of the day. The problem of rent dominated English political economy during the first half of the nineteenth century, and a Ister period has witnessed a revival of it in the land nationalization policy of Henry George. In France there was but a feeble echo of the converys, for France even long before the Revolution had been a country of small proprietors. Landfordism was far less common there and where it existed its characteristics were very different. That threefold hierarchy which consisted of a worker tolling for a daily wage in the employ of a capitalist farmer who draws his profits towered.

Letter to McCulloch, July 13, 1820, quoted by H. Denis, Vol. II, p. 171.

In his correspondence with McCulloch, under date December 18, 1819, he write "I am not satisfied with the explanation which I have given of the principles who regulate value. I wish a more able per would undertake it."

In a letter to Malthus written on August 15, 1820, speaking of his own theory value and of McCulloch's, he despairingly adds: "Both of us have failed." \*

Allery, Le Refacilium philosophitus, and Hector Denis, op. cit.

"Rent is a creation of value, not of wealth," says Ricardo—a pro-found saying, and one that has illuminated many a mystery attaching to the theory of rent. In that sentence he draws a distinction between wealth born of abundance and satisfaction and value begotten of difficulty and effort, and he declares that rent is of the second category and not of the first

Still, this cannot be accepted as the final explanation. It is difficult to understand how a purely negative condition such as the absence of fertile land could ever create a revenue. It were better to say that the want of suitable land supplies the occasion for the appearance of rent, although it is not its cause. The cause is the high price of agricultural products-say corn-due to the increased difficulty of cultivating the less fertile lands.1 In short, the cause and the measure of the rent of corn-land are determined by the quantity of labour necessary to produce corn under the most unfavourable circumstances. "meaning by the most unfavourable circumstances the most unfavourable under which the quantity of produce required renders it necessary to carry on production "\*

Let us assume, as Ricardo did, that first-class land yields a bushel of corn as the result of ten hours' work, the corn selling for ten shillings a bushel.\* In order to supply a population that is increasing in accordance with the Malthusian formula, land of the second class has to be cultivated, when the production of a bushel requires fifteen hours' work. The value of corn will rise proportionately to fifteen shillings, and landed proprietors of the first class will draw a surplus Value or a bonus of five shillings per bushel. So rent emerges. Presently the time for cultivating lands of the third class will approach, when twenty hours' labour will be necessary for the production of a bushel, The price of corn goes up to twenty shillings, and proprietors of the first class see their pift increased or their rent raised from five to ten shillings per bushel, while the owners of the second-class land obtain a bonus of five shillings per bushel. This marks the advent of a new class of rent-receivers, who modestly take their place a little below the

<sup>&</sup>quot;The comparative scarcity of the most ferule lands is the cause of rent." (Pracible)

ed. Gonner, p. 395.)

Adam Smith had already offered this as an explanation in the case of the products. of the mine, but he failed to see that arable land is really nothing but a sort of mine. To-day we simply say that it is determined by increased demand. But this is quite contrary to Ricardo's views, for in his opinion it is labour and not demand that

<sup>&</sup>quot;The value of corn is regulated by the quantity of labour bestowed on its produc-tion on that quality of land [or with that portion of capital] which pays no rent." (But., p. 51.)

The illustration as given by Ricardo is somewhat more complicated,

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by the original proprietors. The same argument applies who have since bought the land, for it must have been bot

the "fruits of industry and talent." Its benefits are perma independent of the proprietor's labour, and in this way the of land becomes a much-coveted prize, the elium eum dignitate the just reward of meritorious effort.

Ricardo enters upon an entirely new track. He breaks nexion with Smith and the Physiocrats-a connexion that had been most anxious to maintain. All suggestion of co-oper the part of nature is brushed aside with contempt. > Busin and owner of property as he was, he had no superstitious via cerning nature, whose work he contemplated without much for reverence. As against the celebrated phrase of Adam Smith h that of Buchanan: "The notion of agriculture yielding a

and a rent in consequence because nature concurs with industry in the process of cultivation is a mere fancy." He r to defend the converse of Smith's view and to show how rent

the avarice rather than the liberality of nature.

The proof that the earth's fertility, taken by itself, can no the cause of rent is easily seen in the case of a new country newly founded colony, for example, land yields no rent, h fertile, if the quantity of land is in excess of the people's de "For no one would pay for the use of land when there was an dant quantity not yet appropriated, and therefore at the disp whosoever might choose to cultivate it."2 Rent only appears the progress of population calls into cultivation land of an i quality or less advantageously situated." Here we have the kernel of Ricardo's theory. Anstead of being an indication of m generosity, rent is the result of the grievous necessity of having reto relatively poor land under the pressure of population and

It is necessary to remember, however, that the old theory survived and a here under the very name of Ricardo, for he was unsuccessful in freeing I altogether from its influence. He defines rent as Ethat portion of the produce earth which is paid to the landlord for the use of the original and indestri powers of the soil. We continually refers to these powers of the soil, whit described as "natural," "primitive," "indestructible," i.e., as independent

<sup>&</sup>quot;Nothing is more common than to hear of the advantages which the land po over every other source of useful produce on account of the surplus which it in the form of reat. Yet when land is most abundant, when most productive most feetile, it yields no rent, and it is only when its powers decay . . . that

appears." (Proviples, ed. Conner, p. 52.) s "The labour of Nature is paid, not because she does much, but because she

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In 1813 a Commission appointed by the House of Commons to inquire into the price of corn—for the proprietors dreaded the day when the return of peace would allow of importation—came to the conclusion that new lands could not produce corn at a less cost than 80x a putsert. What an arrowest for Ricardo's theory!

But is there no possible means of avoiding the cultivation of lands of the second and third order? Intensive cultivation might doubtless do something to swell the returns on the lofter lands, but only up to a certain point. It would be absurd to imagine that on a limited area of land an unlimited quantity of substitence can be produced. There must be a limit somewhere—an elastic limit, perhaps, and one which he progress of science will push farther and farther away, even beyond our wildest hopes. But the cultivator stops long before this ideal limit is reached, for practice has taught him that the game is not worth the candle, because the outlay of capital and labour exceeds the profits on the return. This practical limit is determined for him by the law of dimnishing returns.

That law is indepensable to an understanding of the Ricardian theory, and is implied in Malthur's theory of population. Its discovery is still earlier, and we have an admrable statement of it in Turgot's writings: "It can never be imagined that a doubling of expenditure would result in doubling the product." Malthus, unconsciously no doubt, repeated Turgot's dictum.\(^1\) It is evident, says be, that as

than 3835 such Acts were passed, involving the enclosure of 7,622,664 acres, most of it common land. Not until 1845 do we find a change either in the attitude of public

opinion or in the action of Parliament

It is not quite clear whether the high price of corn is due to the cultivation of new
lands or whether this high price is the cause of the cultivation of new lands. The
second interpretation appears to us to be the most natural, but it involves the

action interpretation appears to us to be the most natural, but it involves the abandonment of the Ricardian theory.

\*Some critic—eg, Fontenay, Bastuat's disciple—suggested that land No. 4 might very well become No. 5, 17, instead of being employed in the cultivation of corn, an intelligent hupbandnam were to put it to vinculture or rower-crowine. But this is to

inheligent husbandman were to put it to vinculture or rose-growing. But this is to go the question. The law of fram umpless products of the same land, for it is this identity of quality that another them to be sold at the same proc. If that correlated the constant of the process of the constant of the constant of the constant of the consequences, publing text as soon as hes fernile labels were employed for the time purpose.

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first class. The third class of landowner will receive a rent whenever the cultivation of fourth-class land becomes a necessity.

the cultivation of fourth-thas land becomes a necessity.

It has been said in criticism of the theory that the hierarchy of lands has simply been invented for the purpose of illustrating the theory. But what Ricardo has really done it to put in scientific language what exercise paranta known—what has been handed down to him from fathe to son in unbroken succession, namely, that all land is not equal!

fertile.

Ricardo, so often represented as a purely abstract thinker, was it reality a very practical man and a close observer of those facts that were then occupying the attention of both public and Parliament. High-rents, following upon high prices, constituted the most important phenomenon in the economic history of England towards the end of the eighteenth and the beginning of the nineteenth centuries. Right through the eighteenth century—that is, up to 1794—the higher price paid for corn was only a few pence above 601, per quarter. But it 1796 the price rose to 921, and in 1801 it reached 1771—nearly three times the old price. The exceptionally high price, due to extraordinary causes, chief among them being the Napolonic Wars and the Continental blockade, could not last long, although the average during the vera 1801—18 remained as high as 1661.

ouring the years 100-13 remained as night at 100.7.

This high price of corn was not entirely due to accidental causes. Something must be attributed to the fact that the available land was insufficient for the upkeep of the population, and that new land had to be cultivated irrespective of situation or degree of fertility. The pastures which had formerly covered England were daily disappearing before the plough. It was the period of the iniquitous Enclosure Acts, when landlords set their hearts upon enclosing the common lands. Professor Cannan has drawn up an interesting chart to show the close correspondence between the progress of the enclosure movement and the high price of corn.<sup>3</sup>

1 "When land of an inferior quality is taken into cultivation the exchangeable value of raw produce will rise because more labour is required to produce it." (Pris-

ciples, ed. Gonner, p. 49)

\* See Cannan's delightful volume The Theories of Production and Distribution, p. 130, —
where the average decennial price works out as follows:

1770-1779				45	o	
1780-1789					9	
1790-1799				55 1		
1800-1809			•		2	
1810-1819				100 :		

The number of Enclosure Acts which Parliament, acting with the sanction of public opinion, passed during the latter part of the eighteenth and the beginning of the nineteenth centuries increased very rapidly. Between 1700 and 1845 no fewer

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return does not apply. But some account of the cost of transport, which increases the cost of production, must be taken, and this leads to the same result, namely, a rent for those nearest the market; Decause of the advantages of a superior situation. Distance and sterility, as J. B. Say remarks, are the same thing. If land in America yields corn at tor. a bushel and freightage equals 5s, it is clear that corn imported into England must sell for 15s.—exactly the same condition of things as if land of the second order had been cultivated, and fegight, landlords of the first class will still draw a rent of 5s. This third possibility was searcely mentioned by Ricardo, and he could hardly have foreseen the wonderful developments in transportation that took place during the next fifty years, which resulted in a reversal of the law of diminishing returns and the confuting of the prophers.

The great Ricardian theory, prims face self-evident, is in reality based upon a number of postulates to which we must pay more attention. Some of them must be regarded as comomic axioms, but the validity of others is somewhat more doubtful.

\*\*In the first place there is the assumption that the produce of lands of the same price, or, in other words, will always possess the same price, or, in other words, will always possess the same exchange value. Is this proposition demonstrably sound? It is true when the product in question—for example, corn—is of uniform quality and kind. When the coads offered on the same market

are to much alike that it is a matter of indifference to the buyer whether he takes the one or the other, then it is true that he will not bay a higher pince for the one than he will for the other. This is what Jevons called the "law of indifference."

1 Shouly afterwards a German landowner published a book dealing with just that the other published as the other published.

side of the problem of rent shifts had been producted by Rt under, marrie, the interest of dataset from a maker type culturation and the purce of products. We are referring to Thainer, who in his book Det Index Start (Vol. 1, 1869) draws a Petter of a town surrounded by a belief of land, and shows how cultivation will be databated in concentre some around that centre, and how the kind of cultivation shoped will be a function of the datasec.

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The the broad of discovering the law who have important for an understanding.

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The second of the law who have the phenomenon and given a very middestory analysis of at in has book observations as in Ames of Emmission of a first and planty (1777). "Now as the express of cultivating the least fertile soil is as the express of cultivating the least fertile soil is as the cultivating the least fertile soil is as expenditured to the law of the l

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cultivation extends, the annual addition made to the average product must continually diminish.1 Ricardo witnessed the operation of the law under his very eyes, and he frequently hinted at the decreasing returns yielded by capital successively applied to the same land. Even in cases of that kind, where recourse to new lands was impossible, rents were bound to increase

Taking again land No. 1, which yields corn at 10s, a bushel, let us imagine that there is an increased demand for wheat. Instead of breaking up land No. 2 an attempt might be made to increase the yield on No. 1, but nothing will be gained by it because the new bushel produced on No. 1 will cost 155., which is just what it would cost if raised on second-class land. Furthermore, the price will now rise to 151, and the two bushels will be disposed of for 30s., thus giving the proprietor a rent of 5s., because they have only cost 25s, to produce.2

There is still another possibility, however. Resort might be had to emigration and colonists might be encouraged to cultivate the best soils of distant lands, soils equal in fertility to those in the first class. The products of such lands would be got in exchange for the manufactured goods of the home country, to which the law of diminishing

it, and weights that formerly would have caused a depression of an inch or more will now scarcely move it by a hair's breadth. And so the effect of additional weights will gradually diminish.

"The comparison is not very exact, but it is near enough to enable us to underistand that when the earth is producing nearly all it can, a great deal of expense is "necessary to obtain very little more produce."

Turgot, with his usual perspicacity, has noted a fact which the Classical writers generally failed to perceive, namely, that at the beginning of the process of cultivation there may be a period when the return shows no signs of diminishing.

✓ 1 We must note the fact that the law of diminuhing returns was already implied in the second of the famous progressions given by Malthus, for an arithmetical progression that shows an increase of one every twenty-five years implies an addition slower than the growth of the series itself-is, slower than the movement of time. Let us take land that yields one; in twenty-five years it will yield two, an increase of 100 per cent. But this is only the first step. At the end of another twenty-five years it will yield three, the increase being always one. But the increase from two to three means an increase of only 50 per cent., from three to four of only 53 per cent., and so on to 25 per cent, and 20 per cent. When the hundredth place has been reached, the increase will only be a per cent , and it will continue to fall further, only more abouty.

Recardo gives a slightly different explanation. "If with a capital of £1000 \$ tenant obtains 100 quarters of wheat from his land, and by the employment of a second capital of £1000 he obtains a further return of eighty-five, his landlord would have the power at the expiration of his lease of obliging him to pay fifteen quarters, or an equivalent value for additional rent, for there cannot be two rates of profit." (Principles, ed. Gonner, p. 48) He means to say that if profits fall because new carried is less productive than old, rent must necessarily appear, because by definition rent is what remains of the produce after deducting profits and wages. This explanation clusely resembles that one given by West in his Application of Capital in Lord, published in 1813, and Ricardo was not above actnowledging his indebedues to treat

his theory. After all the study that he had given to the matter, he had to confess that the relative value of commodities appeared to be determined by two causes: (1) the relative quantity of labour necessary for its production; (2) the relative length of time required to bring the commodity to market. He seems to have had a presentiment of the operation of a new and distinct factor, to which Böhm-Bawerk was to ascribe such importance.

The usual method of stating the Ricardian theory of value is to say that value is determined by cost of production. It is also the correct way, inasmuch as he stated it thus himself. It is, however, quite a different thing to say on the one hand that value is determined by labour and on the other that it depends upon the sum of wages an profits (supposing we omit rent).1 On this point, as on several other obscurity of thought alone saves Ricardo from the reproach of sel contradiction.

Suppose we proceed a step farther. The statement that value determined by labour is not enough to account for the phenomene of rent. Let us imagine a market where three sacks of corn are avai able for sale. 'Let us further suppose that the production of each is volved a different quantity of labour, one being produced on land the was very fertile, the other on soil that was less generous, etc. Ever sack will sell at the same price, but the question is, which of tho different quantities of labour is the one that determines the price Ricardo replies that it is the maximum quantity, and the value the corn is determined by the value of that sack which is product under the greatest disadvantages. But why should it not be dete mined by the value of the sack grown under the most favourab circumstances, or by the value of that other sack raised under conc tions of average difficulty?

That is impossible. Let us imagine that the three sacks of co came from three different kinds of land, A, B, and C, where the necessary quantities of labour were respectively 10, 15, and 20. It inconceivable that the price should fall below 20, the cost of produ tion of corn grown on C, for if it did C would no longer be cultivated but the produce of C is ex hypothen indispensable. The market pricannot rise above 20, for in that case lands of the fourth class wou be brought under cultivation, and their yield would be added to tl quantity already on the market. The supposition is that the quanti of corn on the market is already sufficient to meet the demand, as

Its a note on section vi, chapter i, he adds: "Malthus appears to think that it a part of my doctrine that the cost and value of a thing should be the same—is a, if he means by cost, cost of production including profits " (Princyles, ed. Gonner, p. 39.)

164 In the second place it is implied that this exchange value, uniform

for all identical products, is determined by the maximum amount of labour required for its production, or, in other words, by the amount

of labour necessary for the production of the more costly portion. This brings us to the Ricardian theory of value. We know that he

considered that the value of everything was determined by the amount of labour necessary for its production.1 Adam Smith had already declared that value was proportional to the amount of labour employed,

but that this was the case only in primitive societies. "In civilized society, on the contrary, there is a still smaller number [of cases] in which it consists altogether in the wages of labour. Labour was regarded by Smith as one of the factors determining value-though

others.

by no means the only one, land and capital being obviously the But Ricardo simplified matters, as abstract thinkers frequently do, by neglecting the last-named factors. This leaves us only labour. Land is dismissed because rent contributes nothing to the creation of value, but is itself entirely dependent upon value. Corn is not dear because land yields rent, but land yields rent because corn is dear. "The clearly understanding this principle is, I am persuaded, of the utmost importance to the science of political economy." As for capital, why should we make a special factor of it, seeing that it is only labour? Its connotation might be extended so as to include "the labour bestowed not on their immediate production only, but on all those implements or machines required to give effect to the particular labour to which they were applied."3 But Ricardo was not thoroughly satis-

fied with this identification of capital and labour, and, great capitalist that he was, it must have caused him much searching of heart. Furthermore, it was not very easy to apply the conception to such commodities as timber and wine, which increase in value as they advance in age. In a letter to McCulloch he admits the weakness of

amount of attention as a precursor of Ricardo. Ricardo himself does not seem to be aware of his existence, at least, he never quotes him. The only two writers mentioned by Ricardo are Malthus and West. 1 "In speaking, however, of labour as being the foundation of all value, and the relative quantity of libour as almost exclusively determining the relative value of commodities, I must not be supposed to be inattentive to the different qualifies of labour." (Proceples, ed. Gonner, p. 15-)

I flume had already pointed out the objection to this view. Cf. supre, p. 81, note 2. 3 "If fixed capital be not of a durable nature it will require a great quantity of labour annually to keep st in its original state of efficiency, but the labour so bestowed may be considered as really expended on the commodity manufactured, which must

bear a value in proportion to such labour " (Praceples, ed. Gonner, p. 32) مع أ المستركز والمع المداع للما المداع والمستركز والما المسترك المستركز in the continue of the first tendence to consider a continue to

Nor would the case be materially different if all lands were supposed to be of equal fertility, for who would be willing to cultivate land which only yielded the bare equivalent of the expenses of production?

Ricardo's unwillingness to recognize this other class of rent, which depends solely upon the limited quantity of land, was due to the fact that it would have contradicted his other theory that there is no value except labour. It is true that he made an exception of some rare products,' such as valuable paintings, statuary, books, medals, first-thas wines, etc., the quantity of which could not be increased by labour. Nobody would have taken any notice of such a slight omission as that, but had he left out such an unportant item of wealth as the earth itself there would be great danger of the whole theory crumbling to dust.<sup>1</sup>

Such is the theory of rent, celebrated above all economic doctrines, and concerning which it might be said that no doctrine, not even that of Malthus, has ever excited such impassioned criticism. For this there are several reasons.

In the first place, it led to an overthrow of the majesty of the 'natural' acroller' by simply depicting some of its gloomier aspects. > Men had been led to believe that the 'order' was for ever beyond challenge. Now, however, it seemed that if the new doctrine was true then the interests of the landed proprietors were opposed not only to those of every other class in the community—for sharing always begets antagonism—but also to the general interest of society as a whole.

For what are the real interests of proprietors? First, that population and its demands should increase as rapidly as possible in order that men may be forced to cultivate new lands, and that these new lands thould be as sterile as possible, requiring much toil and those causing an inferease in rents. Exhaustive labour bestowed upon the cultivation of land that is gradually becoming poorer and poorer would soon make the fortune of every landlow.

As a class, proprietors have every interest in retarding the progress of agricultural science, a paradox which the slightest reflection will show to be true. Every advance in agricultural science must mean more products from the same amount of land and a check upon the law of diminishing returns, resulting in lower prices and reduced rents, since it would no longer be necessary to cultivate the poorer soils. In

<sup>&</sup>lt;sup>1</sup> But how was it that he never realized that land at least in any given country, and indeed for that matter over the whole world, is simply a kind of wealth "of which no labour could increase the quantity"?

the increase in supply would soon cause the price to fall again to the

irreducible minimum of 20.

We cannot but admire the ingenuity of a demonstration that seel to explain a phenomenon like rent—which is a revenue obtaine independently of all labour—by the sid of a generalization which

to explain a phenomenon like rent—which is a revenue obtaine independently of all labour—by the aid of a generalization whice regards labour as the one source of value. But the explanation is ingenious rather than convincing, for it is quite clear that only in the case of one of the sacks do value and amount of labour actually coincide. In the two other instances the quantity of labour and exchange value are absolutely and indefinitely divergent. Most contemporary economists, while denvine that value is solely

the product of labour and preferring to regard it as a reflection of human preferences, would willingly recognize the element of truth contained in the Ricardian view. But it must be understood in the sense that competition, although tending to reduce price to the level of cost of production, cannot reduce it below the maximum cost of

production, or the price necessary to repay the expenses of producing the most costly portion of the total amount demanded by the market. In this sanse it is true not only of agricultural but also of all other products, and it has a wider scope than was at first ascribed to it by its authors. Rent is nowadays recognized as an element which entern into all incomes. But with an extension of sway has gone attenuation, and the term has tost something of its original significance and precision.) To-day rent is treated as the outcome of certain Anourable conjunctures, which are to be found in all stations in life, and it is no uncommon thing to speak of consumer's rent, even.

The Ricardian theory, moreover, presupposed the existence of a class of land which yielded no rent, the returns which it gave being only just sufficient to cover cost of production. In other worts,

Ricardo only recognized the existence of differential rents; and dismissed the other case mentioned by Malthus.

It really seems as if Malthus were in this instance more correct than Ricardo. It is quite possible that in the colonies, for example, there may be lands which yield no rent because of the superbandance of fertile land. Or the same thing may occur in an old country because of the extreme powerty of the land. But it is quite evident that in a society having a certain density of population the mere fact that there exists only a limited amount of land is enough to give to all lands and to their products a scarcity value independent of unequal returns.

<sup>&</sup>lt;sup>1</sup> Still we must note that Ricardo and Karl Mark, like every one who has tried to base a theory of value upon labour, tacitly assume the operation of the law of demand and supply in order that their theories may fit in with the facts.

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improved, although there may be partial loss as the result of it. To be consistent with themselves they ought to try to arrest all improvement in agriculture and manufacture and all invention of machinery.\(^1\) (The theory of rent, in the second place, endangered the reputation of landowners by showing that their income is not the product of \(^2\)

labour, and is consequently anti-social. No wonder that it has been so severely criticized by conservative economists. Ricardo himself, however, seemed quite unconscious of the nature of the blow thus aimed at the institution of private property. His indifference, which appears to us so surprising, is partly explained by the fact that the throey absolved the proprietor from all responsibility in the matter. Unlike profits and wages, rent does not figure in cost of production

theory absolved the proprietor from all responsibility in the matter, Unlike profits and wages, rent does not figure in cost of production because it makes no contribution to the price of corn, but is itself wholly determined by that price. The landed proprietor thus appears as the most innocent of the co-partners, playing a purely passive role. He does not produce rent, but simply accepts it.

That may be; but the fact that the proprietor plays no part in the production of rent, whilst exonerating him from complicity in its invidious consequences, spells ruin to his title of proprietor—that is, if we consider labour to be the only title to proprietorabup. It was just this aspect of the question that drew the attention of Ricardo's contemporary James Mill. Mill advocated the confiscation of rent or its

socialization by means of taxation. He thus became a pioneer in the 1 "Wealth increases most rapidly in those countries where the disposable land is

took trible, where importation as least restructed, and where, through agreements improvements, productions can be mailiplied webster any nicrease in the proportional quantity of libour, and where consequently the progress of rent is allow; because the proportional contractions of the proportional contractions, p. 43. The counterable between freed leading few exchanges, and because the proportion of the p

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I Ricardo vicity admis the possibility of conficienting this rest by means of transit, the reason for this been given it is a see on error would affect cent only; at would be body to produce the product of the product of the product of the product of this, namely, that the rest is a produce that the product of this, namely, that the rich product of the product of

a word, since rent is measured by reference to the obstacles which thwart cultivation, just as the level of water in a pond is determine by the height of the sluice, everything that tends to lower this obstact must reduce the rent. In mitigation of this charge it must, however be noted that, taken individually, every proprietor is of necessit interested in agricultural improvement, because he may have an or portunity of benefiting by larger crops before the improvements have become general enough to lower prices and to push back the margiof cultivation. If every proprietor argued in this way, individua interest would finally cheat itself, to the advantage of the genera

vigorous pen does he not picture it! (The study of this question of ren made of him a Free Trader stauncher than Adam Smith, more firmly convinced than the Physiocrats. Free Trade was for them founded upon the conception of a general harmony of interests, while Ricardo built his faith upon one clearly demonstrated fact-the high price of corn and its concomitant, high rents.) Free Trade seemed to be the means of checking this disastrous movement. The free importation of corn implied the cultivation of distant lands as rich as or even richer than any in Britain. All this meant avoiding the cultivation of inferior

Ricardo set out to demonstrate the antagonism,3 and with what

lands and reducing the high price of corn. He was also desirous of proving to the proprietors that the practice of free exchange, even though it might involve some loss of revenue to them, was really to their interest. Their opposition, he thought, was

very short-sighted. "They fail to see," he writes,

public. But this is nothing to be very proud of.

that commerce everywhere tends to increase production, and that as a result of this increased production general well-being is also

1 "The dealings between the landlord and the public are not like dealings in trade,

whereby both the seller and the buyer may equally be saul to gain, but the last is wholly on one side and the gain wholly on the other" (Principles, ed. Gonner, p. 322 ) And so when a proprietor sells corn to a consumer it is not of the nature of an ordinary bargain where both parties gain something. The connumer gris posture in return for what he gives-i.e., for what he gives over and above what it has cost to produce the corn. To get nothing in return for something given is the hind of

transaction that generally goes by the name of theft.

Ruardo soon finds a reply to the comfortable doctrine of Smith, that the interests of the landlords are nowhere opposed to those of the rest of the community "The interest of the landlord is always opposed to that of the consumer and manufacturer Corn can be permanently at an advanced price only because additional latent is necessary to produce it, because its cost of production is increased. It is therefore he the interest of the landful that the cost attending the production of corn should be increased. This, however, is not the interest of the commer . . . Senter is if the interest of the manufacturer that cure should be at a high price, he the high

frice of corn will occasion high wages, but will not raise the pract of his constant to (But. p. 922 )

improved, although there may be partial loss as the result of it. To be consistent with themselves they ought to try to arrest all improvement in agriculture and manufacture and all invention of machinery.

The theory of rent, in the second place, endangered the reputation of landowners by showing that their income is not the product of labour, and is consequently anti-social. No wonder that it has been to severely criticized by conservative economists. Ricardo himself, however, seemed quite unconscious of the nature of the blow thus simed at the institution of private property. His indifference, which appears to us so surprising, is partly explained by the fact that the theory absolved the proprietor from all responsibility in the matter. Unlake profits and wages, rent does not figure in cost of production because it makes no contribution to the price of corn, but is itself wholly determined by that price. The landed proprietor thus appears as the most innocent of the co-partners, playing a purely passive role.

That may be; but the fact that the proprietor plays no part in the production of rent, whilst exonerating hun from complicity in its invidious consequences, spells ruin to his tut of proprietor—that is, if we consider labour to be the only tute to proprietorship. It was just his aspect of the question that drew the attention of Ricardo's contemporary James Mill. Mill advocated the confiscation of rent or its football with the production.

1. "Weath foresses most repolly in those counters where the diposable land is most fertile, where importation is least restreeted, and where, through agreemblaral infrovements, productions can be multiplied without any uncrease in the proposal quantity of latour, and where consequently the progress of rest is low." As the consequently the progress of rest is low." In the contract the progress of rest is low." In the contract the progress of rest is low." In the contract the progress of rest is low." In the contract the progress of rest is low." In the contract the progress of rest is low."

\*Rent does not and cannot enter in the least degree as a component part of its

Proc. [Mar., p. 6]. And the cute. "The event gave assumption monotonic processing in promoted to the timest importance to the science of political economy." It have that Smith, writing long before this time, had declared that the "high sate time in the effect of price," but he does not seem to have attached any great instruction to the remark.

"Reacted withy dening the possibility of confucation this zero by means of taxal-

Seated wiely admis the possibility of conficering this rent by means of taxasble grann he fit has being that "a tax on next would siller territ only, it would have been a season of the season of the season of the season of the season of possibility of the season of the season of the season of the season of page as intengible as that of some other classes in society. But has advocedy as season of the community. Rent as often the present presents of the season of the season of the season of the season of the present season of the present season of the present season of the present season of the se



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But who can tell whether the peril is finally removed or not? The inevitable day will arrive when new countrie will consume the corn which to-day they export. This may not come about in the history of England and Europe for some centuries jet, but when it does happen, rent, instead of being stationary and retrogressive, as it has been so long, will again resume its upward trend.

It is true that we may reckon upon the aid of agricultural science ven if foreign importation should fail us. Ricardo was ever mindful of the great possibilities of human industry. Other economists, notably Carey and Fontenay, one of Bastiat's disciples, have propounded a thory which is the exact antithesis of the Ricardian, namely, that human industry in its utilization of natural forces always begins with the feblets at being more easily tanaed, the more powerful and recalcitant forces only coming in for attention later on. The earth is no exception to the rule, and agricultural industry might well become not lead but more productive.

This thesis, which implies a negation of the law of diminishing returns, is based upon a very dehatable analogy.

When speaking of the future of industry it is well to remember that forces used for the first time is the Second World War, such as the energies liberated by chemical and intermolecular action, may hold industries resources in reserve for mankind. But agriculture is different. Admitting that with sitrogen got from the atmosphere, or with phosphorus extracted from the subsoil, we may enrich the land infinitely, still we are continually confronted with the limitations of me and space, which must determine the development of living things, and of agricultural produces among them. When albumen can be demificially produced then will the Ricardian theory become obsolete. Joid then it holds the field, yet.

..... then it noids the neid

## OF WAGES AND PROFITS

Let us now approach these two laws of Malthus and Ricardo—the aw of population and the law of rent—and ask what effect they are likely to have upon the condition of the worker and the amount of

it and of security-five think not. It has the capterious on a would predict a further fall in rent would probably be running the risk of becoming a false prophet.

conomic rent. Considerable deductions are again necessary, but the amount of tapital employed in agriculture was much less then

One employee in agriculture was much less then

Conservation of a saying that in England and even in France and other Proconstruction of the saying that in England and even in France and other Proconstruction of the Saying that is that in the Saying the Saying the Saying of the

Conservation of the Saying the Sayi

his wages. The answer is not very reassuring. On the one hand there is an indefinite increase in the numbers of the proletariat—the result of unchecked procreation, for 'the moral restraint' can hardly be said to have influence at all. The inevitable result is the degradation of human labour. On the other hand, the law of diminishing returns causes a continuous rise in the price of necessaries. Between low wages on the one hand and high prices on the other, the worker feels himself crushed as between the hammer and the apvil.

Turgot had long since given ulterance to the tragic thought that the wages of the worker are only just sufficient to keep him alive. His contemporary Necker gave expression to the view in terms still more melancholy. "Were it possible," writes Necker, "to discover\_a kind of food less agreeable than bread but having double its unstrange, people would then be reduced to eating only once in two days." These must be looked upon as mere isolated statements, sufficiently well attested by contemporary facts, perhaps, but laying no claim to be considered general, permanent, and inevitable laws such as Ricardo and Malthus would have researded them.

And Ricardo still more emphatically declares that (he natural price of labour is that price which is necessary to enable the labourers one with amother to subsist and to perpetuate their race without ether increase of diminution.") Note the last words, "without increase or diminution that is, I a working man has more children than are necessary for replacing their parents, then their wages will fall below the normal rat until increase domain the more children and the subsidied of millibrium.

This is not tantamount to saying that nominal wages measured in terms of money cannot increase. Indeed, it is absolutely necessary that they should increase, seeing that they price of commodities is continually rising. If they were to remain the same the workman would soon be reduced to starvation. Wages accordingly will show a tendency to rise in sympathy with the rising price of corn, so that the workman will always be able to procute just the same quantity of bread, no more and no less. It is his real wages measured in corn that remain stationary, and upon this depends the well-being of the working class. But do they really remain stationary? Ricardo does not seem to

But do they really remain statuonary? RIGATOO USES IN RULL.

If the natural advance of society the wages of labour will have a tendency to fall, as far as they are regulated by supply and demand; for the supply of labourers will continue to increase at the same rate, whilst the demand for them will increase at a slower rate.

It is even possible that an increase in nominal vages may hide a

1 "The condition of the labourer will generally decline, and that of the landlord will always be improved." (Prunyldr, ed. Conner, p. 79-)

decrease in real wages. In that ease, of course, wages will appear to rise, but "the fate of the labourer will be less happy; he will receive more money wages it is true, but his corn wages will be reduced." Only when the working classes are sufficiently thoughtful to limit the number of their children will it be possible to hope for a preservation of the status que.

It is a truth which admits not a doubt, that the comforts and wellbeing of the poor cannot be permanently secured without some regard on their part or some effort on the part of the legislature to regulate the increase of their numbers, and to render less frequent among them early and improvident marriages.

In other words, there will always be a demand for a certain number of individuals in order to supply the needs of industry. So long as this indispensable minimum is not exceeded the wages even of the very lowest order must be sufficient to maintain existence, for they must all be kept alive at any rate. But should the working population exceed this demand nothing can prevent wages from falling even below the minimum necessary for existence, for there will no longer be any necessity for keeping them all alive.

It must be remarked here that on this question, as on that of rent, Malthus is less pessimistic than Ricardo. Far from maintaining that (every rise in wages of necessity involves an excess of population and a consequent lowering of wages, Malthus believed that a capacity forethought, which constitutes the most efficacious check upon the operation of blind instinct, may be engendered even among the working classes, and that a high standard of life once secured may become permanent.) All this may be very true, but the reasoning involves us in a vicious circle. In order that a high rate of wages may produce its beneficial effects it must first of all be established, but how can it possibly be established as long as the working classes remain steeped in the misery caused by not exercising this foreflowshy?

An exit from the circle is only possible by recalling the fact that the matter wage incressantly oscillates about the natural wage according to the exigencies of demand and supply. If this accidental rise could be prolonged a little it might become permanent and modify the workman's standard of life.

Such is the law of wages, which has long since passed into an axiom, \
and whose authority is invoked in every discussion on social reform.

<sup>11-</sup>It generally happens, indeed, that when a stimulus has been given to population an effect is produced beyond what the case requires . . . The increased wages we are not always immediately empeded on food, but are first made to contribute the other enjoyments of the labouer. Its improved condution, however, induces and enables him to marry." (Prividely, ed. Conner, p. 93)

To every occidatic scheme, to every proposal for social reform, there is always one answer: "There is no means of improving the lot of the sevent every by limiting the number of his children. Ist destiny in his town hand." Latter-day socialism, commencing with Lawalle, makes a careful study of the law, and returns to the charge against the existing economic order by affirming that in no respect is it as an anatural law, but merely a result of the capitalist regime, upon which it modifies an element commensary.

We must not fail to note that in the Ricardian theory there is not what we can exactly call antagonism between the landed proprietor what we can exactly call antagonism between the landed proprietor and the prolectarian. To the latter it is a matter of indifference whether tents be high or loss for his money wages move in sympathy with the price of corn, but his real wages never change. The proprietor on his wide is equally indifferent to rising or falling wages, for they never affect his receipts. His rent, as a matter of fact, is determined by the quantity of labour employed on the least fertile lands, but this quantity of labour than nothing to do with the rate of wages. The landlords are the grandees of a different order.

The real struggle lies between capitalist and worker. Once the value of corn has been determined by the cost of producing it on the least-favoured land, the proprietor seizes whatever is over and above this, asying to both worker and capitalist, "You can divide the rest between you." This clearly is Ricardo's view." "Whatever raise the

<sup>1</sup> "Every suggestion which does not tend to the reduction in number of the working people is useless, to say the least of it. All legislative interference must be pernicious." (Quoted by Graham Wallas, Life of France Place. Place was the author of a hard no negative in the property of the property

book on population which appeared in 1822.) \* This is a fundamental distinction upon which Ricardo is always insisting. The greater or smaller quantity of labour employed in the production of com bears no necessary relation to the worker's wages. The one is merely a question of production, the other of distribution. The one is the task, the other the reward. But some might ask if the Ricardian theory of value does not state that the value of the product is determined by the quantity of labour necessary for its production, that this value will be subsequently divided between capitalist and worker, and that the greater this quantity the greater will be the share of each. Labour's share may increase, but not the labourer's, for we must not forget that when the price of corn goes up from tos. to 20s. it is because the cultivation of poorer lands requires twice the number of labourers demanded by the better kind of land. Besides, it would be a strange thing to pay a man more as the work becomes less remunerative. All that one could hope for would be that the workers under the new conditions might be able to retain their old standard of life—that is, might be able to purchase the same quantity of bread despite the rise in price.

3 "Thus, then, I have endeavoured to show that a rise of wages would invariably lower profits"

<sup>&</sup>quot;Thus in every case . . . profits are lowered . . . by a rise of wages."

On the inexactness of the term "high rate of profits" as a synonym for a proportionally larger share of the produce see note. p. 120.

wages of labour lowers the profits of stock." Wages can only rise at the expense of profits, and vice seria—a terrible prophecy that has been abundantly illustrated by the fortunes of the labour movement, but never more clearly than at the present moment.

But the mere statement of the fatal antagonism between capitalist and workman must have caused both girls and surprise to those economists who had endeavoured to demonstrate the solidarity of interests between them as between brothers. Bastiat was one of there, and he tried to show thair in the course of economic evolution the share of each factor tends to grow, but that labour's shows the greatest increase.

There can be no objection to Ricardo's method of stating the law. The whole thing is so evident that it is almost a truium. A cake being shared between two persons. If one gets more than his due share is it not evident that the other must get less? It may be pointed out, on the other hand, that the amount available for distribution is continually on the increase, so that the share which each participant gets may really be growing bigger. But that it hardly the problem to be solved. I increase the cake tenfold, even a hundredfold, but if one person gets more than half of it the other must have less. Ricardo's implication is just that. Hit jaw deals with proportions and not with quantities.

Admitting that the proportion which one of the two factors receives

Admitting that the proportion which one of the two factor receives can be increased only if the other is lessned, the problem is to discover which of the two, capital or labour, has the bigger portion \_It really seems as if it were labour, for Ricardo speaks of another law of profits, namely, "the lendency of profits to a minimum." Here is another thesis which has had a long career in the history of economics, but what are the reasons that can be adduced in support of it? \_Inc. natural tendency of profits, then, is to fall; "for in the progress of society and wealth the additional quantity of food required is obtained by the sacrifice of more labour." It is determined by the same cause as determined rent—the system is a solid piece of work at any state.

But how does the cultivation of inferior land affect the rate of profits? We have already seen how the worker's share, the minimum necessary for keeping body and soul together, goes to swell the high price of

<sup>&</sup>lt;sup>1</sup> Ricarda dora not drowy this. Indeed, he lays time upon the fact that he is arguing on the assumption that the value produced remains the same. <sup>11</sup> Now herefore made no allowance for the increasing price of the other increasing, besides food of the labourer; an increase which would be the consequence of the increased value of the two materials from which they are made, and which would of course further increase "Riga and lower profile,"

14

corn. But the manufacturer cannot transfer the cost of high wage to the consumer, for the rate of wages has no effect on prices. (Labour has, but wages have none.) As a consequence, the capitalist's share must be correspondingly reduced. We must remember that the workman gains nothing by the high rate of wages, for his consumption of

must be correspondingly reduced. We must remember that the workfeed man gains nothing by the high rate of wages, for his consumption of
food is limited by nature, but this does not hinder the capitalls from
his losing a great deal by it.

And so there must come a time when the necessary wage will have
have absorbed everything and nothing will remain for profit. There will

be a new era in history, for every incentive to accumulate capital will disappear with the extinction of profit. Capital will case growing, no new lands will be cultivated, and population will be brought to a was used to a sudden standstill. The stationary state with its melancholy vistas will be entered upon. Mill has described it in such eloquent terms that we are almost reconciled to the prospect. But it could hardly have been a pleasant matter for Ricardo, who was primarily a financier and had but little concern with philosophy. He was very much attached to his prophecies, and there is a delicate piece of irony in the thought that the tendency of profits towards a minimum should

the same time he felt a little reassured when he thought of the opport forces which might check its downward trend and arrest the progr of rent. In both instances the best corrective seemed to lie in 1 freedom of foreign trade.

The general lines of distribution are presented to us in a striking simple fashion. The demonstration is neater even than the fame of the programmer and it has the further weets of before peater t

have been first noted by this great representative of capitalism. At

simple isanion. The demonstration is neater even than the lamb Tableau (commique, and it has the further merit of being neater if actual facts as they appeared in Ricardo's day, for they are no long quite the same. It may be represented by means of a diagram consiing of three lines.

At the top is an ascending line representing rent—the share -Mother Earth. The proprietor's rent reveals a double increase bol of money and kind, for as population and in needs grow it require an increasing quantity of corn at an increased price. Still, the high price cannot be indefinitely prolonged, for beyond a certain point

<sup>4</sup> But this only means a rue in the nominal or money wage. It does not mean this the worker gets more corn; he only gets the same amount as before, because the pric of corn has gone up and it makes no difference whether the man is paid in money or

in kind.

8 "For as soon as wages should be equal to the whole receipts of the farmer, then
must be an end of accumulation; for no espital can then yield any profit shasever
and no additional labour can be demanded, and consequently population will have
reached in highest point." (Prosphir, ed. Conner, p. 67)

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high price of corn would arrest the growth of population and at the same time the growth of rent; then it would no longer be necessary to cultivate new lands.

In the middle is a horizontal line representing wages—labours hare. The real wages of labour remain stationary, for it simply receives the quantity of corn necessary to keep it alive. It is true that as the corn is gradually becoming dearer the worker's nominal wages increase, but with no real benefit to him.

Below this is a descending line representing profits—capital's share!

Superaced between the proprietor's share, which tends to increase, and the labourer's, which is stationary. The capitalist is brought to our notice in the guise of an English farmer who is obliged to raise his servants' wages as the corn becomes dearer, but who gains nothing by this rise because the extra revenue is taken by the proprietor in the form of higher rent. But profits cannot fall indefinitely, for beyond a certain point it would involve an end to the employment of old capital and the formation of new capital. This would hinder the cultivation of new lands, and would arrest the high price of corn and lower rent.

 $\checkmark$ 3. The balance of trade theory and the quantity theory of money

Such are the more characteristic of Ricardo's doctrines—at any rate, those that left the deepest impression upon his successors and caused the greatest stir among his contemporaries. There are other doctrines besides which, regarded as contributions to the science, are much more important and more definite; but just because they figured almost directly in the category of universally accepted truths whose validity and authorable have never been questioned they have contributed less to his fame. Such are his theories of international trade and banking, where the theorist becomes linked to a first-rate practical gerius. Here at any rate there is no note of pessimism and no suggestion of conflicting interests. On the contrary, he was able to point out at "under a system of perfectly free commerce the oursuit of

<sup>4</sup> When speaking of a reduction of capitally alter. Recards frequently employ as the series of position, "or "a fail in the rare in a position." A fail in the rare in not necessarily a prosymous with a reduction of capitally alter, however. The rate of position imply implies a certain propriots between revenue and capital "of person, for example; there is no suggestion of comparison between the quantities are because the contract and outside respectively. Duchdose we must admit that when the capital and outsiders respectively. Duchdose we must admit that when the contract of profit is dismittable, along parks, the part drawn by expand relatively to the contract of profit is dismittable, along parks, the part drawn by the profit is taken, appeal, and is the profit in any industry were to be doubtled, or the profit is taken, capital, even a large of § bitness of a plant, as we plat have to not, made to same missale.

of the whole." In the matter of international trade he showed himself a more

resolute Free Trader than either Smith or the Physiocrats. It seemed to him that the only way of arresting the terrible progress of rent and of checking the rising price of corn and the downward tendency of profits was by the freest importation of foreign corn.

In addition to this twofold argument in favour of Free Trade. Ricardo brings forward another which is of considerable importance even at the present time. This argument is based upon the advantages which accrue from the territorial division of labour. "By stimulating industry, by rewarding ingenuity, and by using most efficaciously the peculiar powers bestowed by Nature, it distributes labour most

effectively and most economically."

It may be worth while remarking that his illustrious contemporary Malthus remained more or less of a Protectionist.\* It might seem strange that Malthus, continually haunted as he was by the spectre of famine, should refuse to welcome importation. But his point of view was doubtless largely that of the modern agricultural Protectionist, who believes that the surest way of preserving a country from famine is not to abandon its agriculture to the throes of foreign competition, but, on the contrary, to strengthen and develop the home industry by securing it a sufficiently high price for its products. (We must also remember that Malthus's theory of rent differed somewhat from Ricardo's, and that he was not so violently opposed to State intervention.3 >

But Ricardo's principal contribution to the science was his discovery of the laws governing the movements of commodities and the counter-movements of money from one place to another, and the counter-movements of money from one place to another, and the ebb and flow. As soon as the balance of commerce becomes unfavourable to

In a letter to Malthus, December 18, 1814, he admits with a sigh of regret that even if a belt of fertile land were added to this island of ours profits would still keep up. Free Trade has added the illimitable zone of fertile land which Ricardo dreamed

of, with the result that both profits and rents have fallen. In his essay On Protection to Agriculture (1822) he shows how Protection, by forcing the cultivation of less fertile lands at home, raises the price of corn and increases rents;

and his demand was not for free importation, but for a reduction of the duty to 10s. a quarter.

\* See An Inquiry into the Nature and Progress of Rent.

2 Cf. this unexpected remark to which H. Denis has recently drawn attention: "It is evidently impossible for any Government to let things just take their natural course." (Malthus, introduction to the Principles.)

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France, let us say—that is, as soon as importation exceeds exportation say by £7,000,000—money is exported to pay for this excessive importation. Money becomes scarce, its value rises, and prices fall. But a fall in price will check foreign importation and will encourage exportation, so that imports will show signs of falling off while exports will grow. Money will no longer be sent abroad, and the current will begin to run the other way, until the £1,000,000 sent abroad is returned again. Moreover, the £3,000,000 sent abroad will cause a movement in the opposite direction—superabundance and a depreciation in the value of money, high prices, a premium on importation and a check upon exportation. Accordingly economic forces on both sides will conspire to bring back the balance of commerce to a position of equilibrium—that is, to that position where each country will posses just the quantity of money that it needs.

It might be pointed out, on the other hand, that this somewhat complicated mechanism can only operate very slowly, and that considerable time must clapse before the prices of goods begin to respond to the change in the quantity of money. But as a matter of fact it is not necessary to wait until this phenomenon becomes established, for another striking feature precedes it and announces its approach so to speak, and this is, as Smith had already noted, a change in the value of bills drawn on foreign contries. The foreign exchanges are so seraitive that the slightest rise is enough to stimulate exportation and to check importation.

Accordingly money seldom leaves a country, or only leaves it for a bubort time. In other words, contrary to the generally accepted opinion, A silver and gold in international trade do little more than oil the wheels of commerce. The trade is earried on as if the metals were non-existent. In short, it is seemitally of the nature of barter,

The explanation is very schematic. Every incidental phenomenon is omitted, and the whole theory implies the validity of the quantity theory of money, which is now onen to considerable criticism as being

is omitted, and the whole theory implies the validity of the quantity theory of money, which is now open to condictable criticism as being altogether inadequate for an explanation of the facts involved. But this theory of the automatic regulation of the balance of trade by means of variations in the value of money, although already hinted at by Hume and Smith, is none the less a discovery of the first order, and one that has done service as a working hypothesis for a whole century.

t "Gold and tilver having been chosen for the general medium of circulation, they are by the compellion of commerce distributed in such proportions among the different countries of the world as to accommodate themselves to the natural traffic which would take place if no such metals existed and the trade between countries were purely a trade of batter."

Ricardo also points out that "if, which is a much stronger case, we agreed to nav

Its explanation turns upon a particular theory of international trade which we can only mention in passing, but which we shall find more fully developed in Stuart Mill's theory of international values.

#### A. PAPER MONEY, ITS ISSUE AND REGULATION

The enunciation of the principles which should govern the conduct of bankers in issuing paper money is another debt that we owe to the genius of Ricardo. The Bank Act of 1822, and that of 1844 especially, which laid down the future policy of the Bank of England, represent an attenut on the part of the Government to put his principles into practice.

Ricardo was an eye-witness of the great panic of February 65, 1793, when the reserves of the Bank of England fell from ten millions to a million and a half, necessitating an Order in Council suspending each payments. The suspension, which was supposed to be a temporary expedient, extended right up to 1821. The depreciation in the value of the bank-note averaged about to per cent., but at one period towards the end of the Napoleonic Wars it cose as high as 30 per cent. He also witnessed the suffering which such depreciation caused. Landlords demanded the payment of their rents in gold, or claimed an increase in the rent equal to the fall in the value of the note.

Filterardo tried to unrawel the causes of this depreciation in his pamphlet entitled The High Prace of Bullon, published in 1809, and came to the conclusion that there was only one cause, namely, an excessive supply of paper. At this datance of time it might not be thought such an extraordinary discovery after all. Still, he had the greatest difficulty in getting people to admit this, and in refuting the abund explanations which had previously been suggested. It showed how a depreciation in the value of the note necessarily resulted in the exportation of gold, although most of his contemporaries, on the contrary, believed that the exportation of gold was the cause of all the mischief which they sought to check by an Act of Parliament.

The remedy which I propose for all the evils in our currency is that the Bank should gradually decrease the amount of their notes in circulation until they shall have rendered the remainder of equal value with the coins which they represent, or in other world till the prices of gold and allyer beliefon shall be brought down to their Mart price of

2 Reardo's works, McCallach's editor, p. 257

a subsidy is a foreign Fourier, money would not be reported while there were any goods what could hove the ply disable the presence. (MCCAMA's ention, where the property of the property of the property of the property and Nyadron were published in the faction, the exporte exceeding the imports by many mines. The indemnity of 5 millionts of faces paid by France to Germany afficial another Elegenment of the same truth.

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But if that is the case why not cut the Gordian knot and suppress paper money altogether? The reply shows how well Ricardo had studied Smith: "A well-regulated paper currency is so great an improvement in commerce that I should greatly regret if prejude should induce us to return to a system of less utility." "The introduction of the precious metals for the purposes of money may with truth be considered as one of the most important steps towards the improvement of commerce and the arts of civilized life; but it is no less true that with the advancement of knowledge and science we discover that it would be another improvement to banish them again from the employment to which, during a less enlightened period, they had been so advantageoutly applied."

Proceeding, he points out that where you have only metallic money it might happen that the production of gold fails to keep pace with the growth of population, in which case you have a rise in the value of gold accompanied by a fall in prices. This danger might be obviated by a careful issue of notes in accordance with the demands of society. In short, Ricardo is so little disposed to abandon the system of paper money and to return to the previous system of metallic money that, on the contrary, he would prefer to abolish the metallic system altogether, taking good care that paper money did not become superabundant.

So convinced was he of the superiority of paper money that he had no desire to see the Bank resume cash payment. The result of the resumption would be a demand on the part of the public for a conversion of their paper money, "and thus, to indulge a mere captice, a most expensive medium would be substituted for one of little value."

But if the notes are not convertible into each, what is there to guarantee their value or to regulate their issue and prevent depreciation? This can be done merely by keeping a reserve of gold at the bank, not necessarily in the form of money, but in the form of ingots. The bank would not be allowed to issue any notes beyond the value of these ingots. This regulation would have the effect of keeping the value of the note at par, for bankers and money-dealers would immediately proceed to convert these notes into gold as soon as they showed any signs of depreciation. This would not mean, however, that the public at large would again return to the use of metallic money, for these ingots would be of little use for purposes of everyday the

It is a curious system. One would hardly expect the great champion of Liberal political economy to outline a banking system which could only operate through a State bank. This was clearly his opinion, how-

Ricardo's works, McCulloch's edition, p. 404.

ever. He declared himself utterly opposed to the free banking system, and doubted the ability of nuch a system to regulate the currency. "In that sense there can be no excess whilst the bank does not pay in specie, because the commerce of the country can easily employ and absorb any sum whilch the bank may send into circulation." The shows what little confidence a Liberal individualist like Ricardo had in the liberty of individuals and their ability to judge of the kind of money that is most services.

Ricardo's disciples are legion, and among them is every economist of standing of the earlier part of the nineteenth century. The best-known among these are the three writers who immediately follow him in chronological order: James Mill, the father of John Stuart Mill (Elements of Political Economy, 1821), his friend McCulloch (Principles Political Economy, 1821). Alternal State (Political Economy, 1821).

of Political Economy, 1825), and Nassau Senior (Political Economy, 1826). The two first-named writers contented themselves with a vigorous defence of the master's views without contributing anything very zero. We have already referred to the very different conclusions which James Mill draws from the theory of rent, and how he became an advocate of land nationalization. McCulloch also was one of the earliest advocates of the right to strike.

Senior deserves a few pages to himself, for his work in systematizing the Classical doctrines. We shall deal with him in our chapter on John Stuart Mill.

on John Stuart Mill.

<sup>&</sup>lt;sup>1</sup> Ricardo's works, McCulloch's edition, p. 349-

# Book II: The Antagonists

With the completion of the work of Say, Malthus, and Ricardo it really seemed as if the science of political economy was at last definitely constituted.

It would, of course, be extravagant to imagine that these three writers were unanimous on all questions. There were several points that still remained obscure, and more than one theory that was open to discussion. Despite its apparent rigidity, it would not have required much critical ability to detect flaws in the symmetrical doctrine so recently elaborated and to prefict its ultimate discredit

Hardly, indeed, was their task completed before the new doctrine found itself subjected to a most formidable attack, which was simultaneously directed against it from all points of the compass. The criticisms and objections advanced against the new science of political economy form the subject-matter of this second book.

First comes Simondi, a purely critical mind, with a haunting catalogue of the sufferings and miscries resulting from free competitions. Spirits still more daring will essay the discovery of new principles of social organization. The Saint-Simonians will demand the suppression of private property, the estinction of inheritance, and the centralized control of industry by the arm of an omniscient government. The voluntary socialists—Owner, Fourier, Louis Blanc—will claim the substitution of voluntary co-operation for personal interest. Proudhon will dream of the reconciliation of liberty and justice in a perfect system of exchange from which money shall be excluded. Finally, the broad cosmopolitanism of the Classical writers is to find a formidable antagonist in Friedrich List, and a new Protectionism, based on the sentiment of nationality, is to regild the old Mercantillism which seemed so hopelasy battered under the blows of Adam Smith and the Physiocrats.

These very diverse doctrines, along with much that is functiful and erroneous, contain many just ideas, many original concepcions. They never succeeded in supplanting the doctrine of the founders; but they demonstrated, once for all, that the science, apparently complete, was in reality far from perfection. To the Orthodox school they flung the taunt which Hamlet cast at Horatio: "There are more things in heaven and earth than are dreamt of in your philosophy." In this way fluitful discussions were frequently raised, and the public proved

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sympathetic listeners. The economists who were still faithful to the Classical creed began to doubt the validity of their deductions and were forced to modify their methods and to overhaul their conclusions.

Let us now attempt to realize the importance of the part which these critics played.

## CHAPTER I: SISMONDI AND THE ORIGINS OF THE CRITICAL SCHOOL

THE first thirty years of the nineteenth century witnessed profound transformations in the structure of the economic world.

Economic Liberalism had everywhere become triumphant. In France the corporation era was definitely at an end by 1791. Some manufacturers, it is true, demanded its re-establishment under the First Empire: but they were disappointed, and their demands were never re-echoed. In England the last trace of the Statute of Apprentices, that shattered monument of the Parliamentary regime, was removed from the Statute Book in 1814. Nothing remained which could possibly check the advent of laissez-faire. Free competition became universal. The State renounced all rights of interference either with the organization of production or with the relations between maste and men, save always the right of prohibiting combinations in restrain of trade, and this restriction was upheld with a view to giving for play to the law of demand and supply. In France the Penal Code the Empire proved as tyrannous as the old regime or the Revolution and although freedom of combination was granted in England by a Act of 1825, the defined limits were so narrow that the privilege prove quite illusory. The general opinion of the English legislator is we expressed in the report of a Commission appointed by the House c Commons in 1810, quoted by Mr and Mrs Webb.1

No interference of the legislature with the freedom of trade, or will the perfect liberty of every individual to dispose of his time and or his labour in the way and on the terms which he may judge most conducive to his own interest, can take place without violating general principles of the first importance to the prosperity and happiness of the community.

In both countries—in England as well as in France—a regime of

individual contract was introduced into industry, and no legal intervention was allowed to limit this liberty—a liberty, however, which really existed only on the side of the employers.

Under this regime the new manufacturing industry, born of many inventions, was wonderfully developed. In Great Britain Manchester, Birmingham, and Glasgow, in France Lille, Sedan, Rouen, Elbeuf, Mulhouse, became the chosen centres of large-scale production.

Alongide of these brilliant successes we have two new phenomena, which were bound to draw the attention of observers and to invite the reflection of the thoughtful. (First we have the concentration in the great centres of wealth of a new and miserable class—the workers; and, secondly, we have the phenomenon of over-production)

Factory life during the earlier half of the nineteenth century has been the subject of countless treatises, and attention has frequently been drawn to the practice of employing children of all ages under circumstances that were almost always unhealthy and often cruel. to the habit of prolonging the working day indefinitely, to the inadequate wages paid, to the general ignorance and coarseness of the workers, as well as to the deformities and vices which resulted under such unnatural conditions. In England, medical reports, House of Commons inquiries, and the speeches and publications of Owen aroused the indignation of the public, and in 1810 an Act of Parliament was passed limiting the hours of work of children in cotton factories. This, the first rudiment of factory legislation, was to be considerably extended during the course of the century. J. B. Say, who in 1815 was travelling in England, declared that a worker with a family, despite efforts often of an heroic character, could not gain more than three-quarters and sometimes only a half of what was needed for his unkern

In France we must wait until 1810 to find in the great work of Dr Villerin a complete description of the heartrending life of the workers and the martydom of their children. Here, for example, we learn that "in some establishments in Normandy the thong used for the punishment of children in the spinners's trade appears as an instrument of production." Even before this, in an insurary into the state

Yi In 1833 An from Ure (Philasping' Mondature, p. 471, reckoned that in the manufacture of coston, wood, form, and will in Figdiand them were employed 45th hope and 538 flow hope in years of age, 65,000 hope and 65 mon girk between 1 and 18 trees of age, and 18 trees in an additionable women above 18 years, as social of ifo combines and manufacture of the same and agrain and society.

<sup>1</sup> B Ser, De L'Arghtere et des Aug'nie, in Gerra, Vol. IV, p. aus

A create report in Almoure & Fanding des numer mondes, Act II p. 414, more Millerine's observations were made in 1815 and 1816, although his cristmant work



examination of the institution of private property itself, they resulted in a demand for the complete overthrow of society. (All critics whatsoever rejected the idea of a spontaneous harmony between private and public interests as being incompatible with the circumstances which we have just mentioned.)

Among such writers no one has upheld the testimony of these facts more strongly than Sismondi.1 (All his interest in political economy, so far as theory was concerned, was summed up in the explanation of crises; so far as practice, in the amelioration of the condition of the workers.) No one has sought the explanation or striven for the remedy with greater sincerity. He is thus the chief of a line of economists whose works never ceased to exercise influence throughout the whole of the nineteenth century, and who, without being socialists on the one hand or totally blind to the vices of laissez-fairs on the other, sought that happy mean which permits of the correction of the abuses of liberty while retaining the principle. The first to give sentiment a prominent place in his theory, his work aroused considerable enthusiasm at the time, but was subjected to much criticism at a later period. (For the reasons given above Sismondi's views became singularly applicable to the situation after the First World War, and in our last chapter, dealing with crises, we shall see striking resemblances between his theories and some of the modern ones, such as those of Keynes.

#### I: THE AIM AND METHOD OF POLITICAL ECONOMY

Sitmouli began his career as an ardent supporter of economic Liberalism. In 1803, the year that witnessed the production of Say's treatise, he published an exposition of the ideas of Adam Smith in a book entitled La Rulesia commerciale, a volume which achieved a certain measure of success. During the following years he devoted hinself to work exclusively historical, literary, or political, and he only returned to the study of political economy in 1818. "At this period," he writes,

I was keenly interested in the commercial crises which Europe had experienced during the past years, and in the cruel sufferings of the factory hands, which I myself had witnessed in Italy, Switzerland,

I Sumondii wa a natove of Geneva. Hat family was orquality Italian, but took rings in Fance in the pittered necessary, and emgrand to Geneva after the Revocation of the Litest of Nation. Here Simondo was born in 1735. He is even better home in his too great newire Lifthings on the Displayer interest and Lifthings of François Committee to the Committee of the Co

of the cotton industry in \$828, the Mulhouse masters expressed their belief that the growing generation was gradually becoming energated under the influence of the exhaustive toil of a dir of thirteen or fifteen hours.1 The Balletia of the Industrial Society of Mulhouse of the same year states that in Akace, among other places, the general working day averaged from fifteen to sixteen hours, and sometimes extended even to seventeen hours. And all evidence goes to show that things were equally bad, if not worse, in other industrial towns.2

Crises supplied phenomena no less disquieting than the sufferings of the profetariat. In 1815 a first crisis shook the English market, throwing a number of workmen on to the street and resulting in riots and machine-breaking. It arose from an error of the English manufacturers, who during the war period had been forced to accumulate the stocks which they could not export, so that on the return of peace their supplies far exceeded the demands of the Continent. In 1818 a new commercial panie, followed by fresh riots, again paralysed the English market. In 1825 a third and more serious crisis, begot probably of the extensive credit given to the newly opened markets of South America, caused the failure of about seventy English provincial banks, bringing much ruin in its train, as well as a shock to several neighbouring countries. During the whole of the nineteenth century similar phenomena have recurred with striking regularity, involving ruiever-widening areas, as production on a large scale has extended sway. No wonder some people were driven to inquire whether economic system beneath all its superficial grandeur did not consome lurking flaw or whether these successive shocks were merely

ransom of industrial progress. Poverty and economic crises were the two new facts that attrac immediate attention in those countries where economic liberty ! secured its earliest triumphs; and no longer could attention be diver from them. Henceforth they were incessantly employed by writers the most various schools as weapons against the new regime. In ma minds they gradually engendered a want of confidence in the d trines of Adam Smith. With some philanthropic and Christian write they provoked sentimental indignation and aroused the veheme protest of humanity against an implacable industrialism which was t source of so much misery and ruin. With others, especially with t socialists, who pushed criticism to much greater lengths, even to a 1 Enquête sur l'Industrie du coton, 1829, p. 87. Evidence of Messrs Witz and Sc

manufacturers.

Vide Bulletin de la Société, etc., 1828, pp. 326-323.
 Cf. Rist, Durée du Travail dans l'Industrie française de 1820 a 1870, in the Rei d'Economie politique, 1897, pp. 371 et teq.

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JSmonda was a native of Geneva. He family was originally Indian, but not reduce in Fance on the akteenth century, and magnated to Geneva after the Revocation of the Educt of Nance. Here Simondi was born in 1779. He is even better known that two great works L'Historie of Physilippia Indiance and L'Historie de Français Chair in the sementic works L'Historie of Physilippia Indiance and L'Historie de Français Chair in the Samondic works. We was a Vicequeta guess of Worn de Subit's in the Chair i

and France, and which, acons to us the politic popular, were as fend erralls to be traited follows and thermone !

It was at it a moment that he was asked to write an article on colitical concerns for the Flabert Employets. Upon a co-examination of his aless in the light of these new facts he found to his surprise that his enrel norm of Perril entirely I rea those of Adam Smith, In 1819 be

travelled in I refund. "that worslessful country, which werns to have underrows a great experience in ceiler to teach the rest of the world." This were ed to the firm his first impressions. He took the article which

be had contributed to the Employeds and developed it. From this with sprang the treatur which appeared in allin under the significant title of Neurous Disasper Curronio politicas and made him cele-

brated as an economist. He eath was already clear. He want of agreement with the predominant school in France and England was further emphasized by the appearance of his studies in economics," in which he illustrates and confirms the ideas already expounded in the

Noncest Privates by means of a great number of descriptive and historical studies bearing more especially upon the condition of the agriculturists in England, Scotland, Ireland, and Italy. Sismondi's disagreement was not upon the theoretical principles of

political economy. So far as these were concerned he declared himself Luca a disciple of Adam Sputh 3 He merely disagreed with the method, the airl, and the practical conclusions of the Classical school. We will examine his arguments on each of these points.

Act. First of all as regards method. He draws an important distinction between Smith and his followers, Ricardo and J. B. Say. "Smith," says he, "attempted to study every fact in the light of its own social the environment," and "his immortal work is, indeed, the outcome of a philosophic study of the history of mankind." Towards Ricardo, who philosophic study of the history of mankind."3 Towards Ricardo, who is accused of having introduced the abstract method into the science, his attitude is quite different, and much as he admired Malthus, who,

"possessed of a singularly forceful and penetrative mind, had cultivated 1 Non saw Principes, Vol. II, p. xxii. Our quotations are taken from the second

1 Ibid . p. iv. \* Two volumes, Paris, 1837 and 1838.

Nouveaux Principes, Vol. II, pp. 50-51. "Adam Smith's doctrine is also ours, but the practical conclusion which we draw from the doctrine borrowed from him frequently appears to us to be diametrically opposed to his."

5 Ibid , p. 56. "Adam Smith recognized the fact that the science of government was largely experimental, that its real foundation lay in the history of various peoples, and that it is only by a judicious observation of facts that we can deduce the general principles. His immortal work is, indeed, the outcome of a philosophic study of the history of mankind." Cf. also Vol. I. pp. 47, 389

edition, published in 1827:

the habit of a conscientious study of facts," still his spirit shrank from admitting those abstractions which Ricardo and his disciples demanded from him.\* Political economy, he thought, was best treated as a "moral science where all facts are interwoven and where a false sten is taken whenever one single fact is isolated and attention is concentrated upon it alone."2 (The science was to be based on experience, upon history and observation.) Human conditions were to be studied in detail. Allowance was to be made for the period in which a man lived, the country he inhabited, and the profession he followed, if the individual was to be clearly visualized and the influence of economic · institutions upon him successfully traced. "I am convinced," says he, "that serious mistakes have ensued from the too frequent generalizations which have been made in social science."4

This criticism was levelled not only at Ricardo and McCulloch, but it also included J. B. Say within its purview, for Say had treated political economy as an exposition of a few general principles. At also prepared the way for that conception of political economy upon the discovery of which the German Historical school so prided itself at a later date. Sismondi, himself an historian and a publicist interested in immediate reforms, could not fail to see quite clearly the effects that social institutions and political organization were bound to have upon economic prosperity. A good illustration of his method is furnished by his treatment of the probable effects of a complete abolition of the English Corn Laws. The question, he remarks, could not be decided by theoretical arguments alone without taking some account of the various methods of cultivating the soil. A country of tenant farmers such as England would find it difficult to meet the competition of feudal countries such as Poland or Russia, where corn only costs the proprietor "a few hundred lashes judiciously bestowed upon the ocasants."

Sismondi's conception of economic method is incontestably just so long as the economist confines himself to the discussion of practical problems or attempts to gauge the probable effects of a particular legislative reform or is unravelling the causes of a particular event.

Neurone Principes, Vol. 11, p. 268. Qf. also pp. 388, 389.

<sup>\*\*</sup>Rol. p. 56. In several other passages he takes Recardo to task (Vol. I. pp. 257. 300, 300, 266, 423) Vol. II. pp. 184, 190, 218, 329). thil , p. 36

Chair to the Cammis politique, preface, p. v. Already in his first work, La Rahesse commerciale, he had declared "Political economy is based upon the study of man or of men. We must know human nature, the character and destiny of nations in different places and at different times. We must consult historians, question travellers, erc . . . The philosophy of history . . . the study of travels, etc., are parallel studies."

Nacona Prompes, Vol 1, p. 057.

But already also se received or als his pleatic term hereally the general serve of the securities were to be a set and all all the market a tello above in the continue

of six an investion movels, ha o six six sit of an employed tha state at method and Comments Ausmill was fire and had son parenteem as yet. It is to be the Bu would it with novembers the analysisticans, qual his fullers be preserved

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which he assumpts as dismonstrate the possibility of a general group of ever profess on well fitting. The his point of departure he takes the districts in herefore, the neutral reviews and the annual prohibition of a crustry. According to him the reviews of one year pure for the profession of the first according to Assembling of the production of any care year exceeds the reviews of the permission was a portion of the profession which proceeds on the profession will be runned. Summed reason as if the nation were compressed of agreeitheasts who have the manufactured great that events with the review reviewed from the assembling great that events with the review reviewed from the assembling present year's even.

are superalized in the agricultural resence will not be enough in pay a soft-zero point.

But within the argument there bush a builded confiaion. At botom a nation's annual review or its annual produce, and the one cannot be less than the other. Microsec, it is not the produce of two different years that it exchanged, but the various products of the time year, or rather (for this subdivision of the inscriments of the economic

different years that is exchanged, but the various products of the same year, or rather (for this subdivision of the increments of the economic 15 summit's awk-scalous in the manipulation of abstract resource, is desirvable to a botted duther passages, especially or the regions of the definition. I labor it one pla to inclined as the sacrost of all resource to Massier Pought, Vol. 1, p. 5; a cheesing to the place of the product of the product of the product product equals, and wage are smoothers treated as region, and provide the product equals, and wage are smoothers treated as region, sometimes are remain (p. 57). He constantly uses such sagos terms as "nch" and "poor" to designate equals and swelve (Vol. 1, thapper ). In this explanation of how the rars of interest in the the says that the strength of the lenders of equal part balances the interest (p. 4), p. 40). In a suitable fashion of the same (Vol. 11), p. 40). In a suitable fashion of which more products are that the strength of the lenders of equal part balances the interest (vol. 11), p. 40). In a suitable fashion to the window products are the suitable products of the produc

and weder (Vol. II, chapter 3. In his replanation of how the rate of interest a new temperature of the says that the strength of the leads of expect plat balances the strength of the loop to rowers, and, as in all other masters, they has upon a proportional result of the property of the strength of th

It is he himself on the annual who amounted the confi

world into annual periods has no counterpart in actual life) it is the different products created at every moment that are being continually exchanged, thus constituting a reciprocal demand for one another. At any one moment there may be too many or too few products of a certain kind, resulting in a severe crisis in one or more industries. But of every product, at one and the same time, there can never be too much. McCulloch, Ricardo, and Say victoriously upheld this view against Sismondi.1 We shall see in Book VI how the whole problem has been studied afresh by the most recent writers, starting from the concept of monetary incomes, and how a crisis not general but generalized then becomes easily explicable.

It is not only on the question of method, but still more on the ques-(a) tion of aim, that Sismondi finds himself in opposition to the Classical school. To them political economy was the science of wealth, or chrematistics, as Aristotle called it.) But the real object of the science should be man, or at least the physical well-being of man. To consider wealth by itself and to forget man was a sure way of making a false start.\* This is why he gave such prominence to a theory of distribution alongside of the theory of production, which had received the exclusive attention of the Classical writers. The Classical school. · it is true, might have retorted that they gave first place to production because the multiplication of products was a sine qua non of all progress in distribution. But Sismondi regarded it otherwise. Wealth only deserves the name when it is proportionately distributed. He could not conceive of an abstract treatment of distribution, and consequently could not appreciate it. In his own treatment of distribution he devoted a special section to the "poor," who live by their labour and toil from morn till eve in field or workshop. They form the bulk of our population, and the changes wrought in their way of life by the invention of

they must in some may be related to one another before being employed as the basis of comparison " (American Principle, Vol. 1. p. q.)

<sup>1</sup> McCalloch criticized Sismondi in an article in the Edubargh Review of October 1819 For J. B. Say see pp. 130-132

With regard to Rivardo, Sumondi relates that in the very year of his death he had two or three conversations with him on this subject at Genesa. In the end he seems to have accepted Ricardo's point of view, but not without several reservations. "We arrive then at Ricardo's conclusion and find that when circulation is complete (and having nowhere been arrested) production does give rise to consumption"; but be adds: "This involves making an abstraction of time and place, and of all those obstacles which might arrest this circulation "

Sumonds defended his point of siew against his three critics in two articles reprinted

at the end of the second edition of the America Principes. \* The accumulation of wealth is elitracts is not the aun of government, but the participation by all its citizens in the pleasures of life which the wealth represents. Wealth and population in the abstract are no indication of a country's prosperity:



against a false step and influenced him in directing his efforts towards other ends. In a similar way rising prices proved to the produces that supplies were insufficient and that more must be manufactured. Hence the evils committed would always be momentary and transient.

To this Sismondi replied: If instead of reasoning in this abstract fashion economists had considered the facts in detail, if instead of paying attention to products they had shown some regard for man, they would not have so lightheartedly supported the producers in their errors. An increased supply, if supply were already insufficient to meet a growing demand, would injure no one, but would be profitable for all. That is true But the restriction of an over-abundant supply when the needs grow at a less rapid rate is not so easily accomplished. Does anyone think that capital and labour could on the morrow, so to speak, leave a declining industry in order to engage in another? The worker cannot quickly leave the work he lives by, to which he has served a long and costly apprenticeship, and wherein he is distinguished for a professional skill that will be lost elsewhere. Rather than consent to leave it, he will let his wages fall, he will prolong the working day, remaining at work for fourteen hours, and will toil during those hours that would otherwise be spent in pleasure or debauchery; so that the produce raised by the same number of workmen will be very much increased.1 As for the manufacturer, he will not be less loath than the worker to quit an industry into the management and construction of which he has put half or even three-quarters of his fortune. Fixed capital cannot be transferred from one use to another, for even the manufacturer is bound by custom-a moral force whose strength is not easily calculated. Like the worker, he is tied to the industry which he has created and from which he draws a living. Consequently production, far from being spontaneously restrained, will remain the same or will even perhaps tend to increase. In the end, however, he must yield, and adaptation will take place, but only after much ruin "Producers will not withdraw from that industry entirely, and their numbers will diminish only when some of the workshops have failed and a number of workmen have died of misery." "Let us beware," says he in conclusion, "of this dangerous theory of equilibrium which is supposed to be automatically established. A certain kind of equilibrium, it is true, is re-established in the long run, but it is only after a frightful amount of suffering."3 The dictum which was to some extent true in Sismondi's day controls the policy of every trust and kartel of the present day. Nowadays production chiefly grows as the result of the multiplica-

\* Nouveaux Principes, Vol. 1, p. 223. \* Ibid. p. 226. \* Ibid. pp. 220-221.

tion of machinery, and Sismondi's most telling attacks were directed against machinery. Consequently he has been regarded as a reactionary and treated as an ignoramus, and for half a century was -refused a place among the economists.

On the question of machinery the Classical writers were unanimous. Machinery they considered to be very beneficial, furnishing commodities at reduced rates and setting free a portion of the consumer's Tevenue, which accordingly meant an increased demand for other products and employment for those dismissed as a result of this introduction. Sismondi does not deny that theoretically equilibrium is in the long run re-established.

Every new product must in the long run give rise to some fresh consumption. But let us examine things as they really are. Let us desist from our habit of making abstraction of time and place. Let us take some account of the obstacles and the friction of the social mechanism. And what do we see? The immediate effect of machinery is to throw some of the workers out of employment, to increase the competition of others, and so to lower the wages of all. This results in diminished consumption and a slackening of demand. Far from being always beneficial, machinery produces useful results only when its introduction is preceded by an increased revenue, and consequently by the possibility of giving new work to those displaced. No one will deny the advantage of substituting a machine for a man, provided that man can obtain employment elsewhere.

The unanimity is not quite absolute, however. Ricardo in the third edition of his Principles added a chapter on machinery in which he admitted that he was mistaken in the belief that machines after a short period always proved favourable to the interests of the workers He recognized that the worker might suffer, for though the machine increases the net product of industry it frequently diminishes the total product. He seemed to think that this might happen frequently, but in reality it is quite exceptional.

We may here recall the celebrated winch argument. Suppose, says Sismondi, that England succeeded in tilling her fields and doing all the work of her towns by means of steam power, so that her total products and revenue remain the same as they are to-day, though her population is only equal to that of the republic of Geneva. Is she to be regarded as being richer and more prosperous? Ricardo would reply in the affirmative. Wealth is everything, men nothing. Really, then, a single king, dwelling alone on the island, by merely turning a winch might conceivably automatically perform all the work done in England to-day. One can only reply to this argument by saying that long before arriving at this state the community itself would have devised some machinery for distributing the product between all its members. To suppose that a portion of the population dies of hunger through want of employment while the other part continues to manufacture the same quantity of goods as before is sufficiently contradictory. But at bottom, duregarding the paradoxical form given it by Sismondi, the question set by him is insoluble. What is the best equilibrium between production and population? Are we to prefer a population 'dly increasing in numbers, but making no advance in wealth, to a population

is stationary or even decreasing, but rapidly advancing in wealth? Every one nose for himself. Science gives us no criterion.

Neither Ricardo nor Say denies this; they affirmed that the effect of machinery is just to create some part of this demand for labour. But Sianondi's argument is vitiated by the same false idea that, as we have seen above, made him admit the possibility of general overproduction—the idea that increased production, if it is going to be useful, must always be preceded by increased demand. He was unwilling to admit that the growth of production itself created this demand. On the other hand, what is true in Sismondi's attitude—and we cannot insist too much on this—is the protest he makes against the indifference of the Classical school in the face of the evils of these periods of transition.

The Classical school regarded the miseries created by large-scale, production with that sang-froid which was to characterize the followers of Marx amid the throst of the 'inevitable Revolution.' Among many similarities which may be pointed out between the writings of Marx and the doctrines of the Classical school, this is one of the most characteristic. The grandeur of the new regime is worthy of some scriftce. But Sissmond was an hastorian. But unterest lay primarily in those periods of transition which formed the ext from one regime and the entrance into another, and which involved so much suffering for the innocent. He was anxious to mitigate the hardships in order that the process of transition might be eased. Nothing can be more legitimate than a claim of this kind. J. B. Say recognized its validity to a certain extent, and this is precueby the role of social economies.

Sismond makes another remark which is no less just. What disgusted him was not merely that workmen should be driven out its machinery, but that the workers who were retained only had a limited share of the benefits which they procured. For the Classical school it was enough that workers and consumers should have a share in the general cheapening of production. But Sismondi demanded more. So long as toil is as laborious as it is to-day, is it not just that the workman should benefit by the introduction of machinery in the way of

<sup>1 &</sup>quot;We have said elsewhere, but thank it essential to repeat it, that it is not the perceived of machinery that to the rad calamity, but the quited durinknow of the goods produced. The more we are able to increase the quantity of goods produced with a fewer quantity of labour, the more cought we to increase our comfort or our leasure. Were the worker his own master, after accomplishing in two hours with a machine the worker his own master, after accomplishing in two hours with a machine more more more over a belt on make use of a largine disturb from the more him to be a superior of the control of

increased leisure? (In the social system as at present existing, owing to the competition among workers as the result of excessive population, machinery does not increase leisure, but it rather strengthens competition, diminishes wages, provokes a mote intense effort on the part of the workman, and forces him to extend his working day.) Fifer again Simondi appears correct. We cannot see why the consumer alone should reap all the profit of improved machinery, which never benefits the workman unless it affects articles which enter into his consumption. There would be nothing very striking if the benefits of progress, at least during a short time, were to be shared between consumer and worker just as to-day they are shared between inventor, endprincer, and society. This idea is the impiring motive of certain trade unions to-day, which only accept a new machine in exchange for less work and more new.

Sistnondi's method when applied to production and machinery leads to conclusions very different from those of the Classics. This is also true of his treatment of competition.

Adam Smith had written: "In general, if any branch of trade, or any division of labour, be advantageous to the public, the freer and more general the competition it will always be the more so."? Simondi considered this doctrine false, and invoked two reasons of unequal value in support of his view.

The first is a product of the inexact idea already mentioned above, when first is a product of the inexact idea as useless unless preceded by more intensive demand. Competition is beneficial if it excites the anterpeneur to multiply products in response to an increased demand. In the opposite case it is bad, for if consumption be stationary, in only effect will be to enable the more adroit enterpeneur or the more powerful capitalist to ruin his rivals by means of cheap sales, thus attracting to himself their clientele, but giving no benefit to the public. This is the spectacle that in reality is too often presented to us. The movements of our capitains of industry are directed, not by any concern for the presumed advantage of the public, but solely with a view to increased profits.

Sismondi's argument is open to the same objection as was made above. Cheapened production dispenses with a portion of the income formerly spent, and creates a demand for other produce, thus repairing the evil it has created. Concentration of industry gives to society the same advantage as is afforded by machinery, and the same arguments may be used in its defence.

But against competition Sismondi directs a more serious argument.

<sup>1</sup> Wealth of Nations, Book II, chapter ii, in fine.

Pursuit of cheapness, he remarks, has forced the entrepreneur to economize not only in the matter of stuff, but also of men. Competition has everywhere enticed women and children to bear the burden of production instead of adults. Certain entrepreneurs, in order to secure a maximum return from human energy, have enforced day and night toil with only a scanty wage in return. What is the use of cheapness achieved under such circumstances? The meagre advantage enjoyed by the public is more than counterbalanced by the loss of vigour and health experienced by the workers. Competition impairs this-most precious capital-the life-energy of the race. He points to the workmen of Grenoble earning six or eight sous for a day of fourteen hours, children of six and eight years working for twelve or fourteen hours in factories "in an atmosphere loaded with down and dust" and perishing of consumption before attaining the age of twenty. He concludes that the creation of an unhappy and a suffering class is too great a price to pay for an extension of national commerce, and in an oftquoted phrase he says,

"The earthings of an entreprener sometimes represent nothing but the spoliation of the workmen. A profit is made not because the industry produces much more than it costs, but because it falls to give to the workman sufficient compensation for his toil. Such an industry is a social evil."

It is futile to deny the justice of the argument. When cheapness is only obtained at the cost of permanent deterioration in the health of the workers, competition evidently is a producer of evil rather than of good. The public interest is no less concerned with the preservation of vital wealth than it is with facilitating the production of material wealth. Gismondi showed that competition was a double-edged sword, and in doing so he prepared the way for those who very justly demand that the State should place limits upon its use and prescribe rules for its employment.

We might be tempted to go farther and see in the passage just cited an unreserved condemnation of profits, even. That would involve placing Sismondi among the socialists, and this is sometimes done, although, as we think, wronely.

In certain passages he doubtless expresses himself in a manner similar to Owen, the Saint-Simonians, and Marx. Thus in his studies on political recoronity we come across phrases such as the following: "We might almost say that modern society lives at the expense of the proletariat, seeing that it curtains the reward of his toil." And elsewhere: "Spoilation indeed we have, for do we not find the rich robbing

<sup>3</sup> Nouceaux Principes, Vol. I, p. 92. 

\* Études sur l'Économie politique, Vol. I, p. 35.

the greet. They dear in their revenues from the fertile, early cultinated fields and wallow in these wealth, while the cultivator who created that revenue in cleary of hunger, never allowed to erlow any of it "I also might even are that Summilli enunciated the theory of surplus water, which was worked out by Mary, when he makes use of the term more role "> Put the unplants is simply a matter of words. Burnersh, speaking of surpline value, means to imply the value that is terratabilis attenting or busing created every year in a progressive country. test by the eff at of labour alone, but by the nont operation of expital and labour & Mara's alea that labour alone ereated value, and that tempequently profes and interest encurrent a theft, is entirely foreign to Summed. Summed, redeal, recognized that the revenues of landed properties and capitalists were due to efforts which they themselves had pears put forth. He rightly distinguished between the wages of labour and the revenues of proprietors, but to him the latter were not less legitimate than the former, for, says he, "the beneficiaries who enjoy such revenues without making any corresponding effort have acquired a permanent claim to them in virtue of toil undertaken at some former period, which must have increased the productivity of labour." When Sumonds says that the worker is robbed he merely means to say that sometimes the worker is insufficiently paid; in other words, that he does not always receive enough remuneration to keep him alive, and that, if only for the sake of humanity, he ought to be better paid. But he does not consider that appropriation by proprietors or capitalists of a portion of the social product is in itself

Marx.

<sup>1</sup> Etules no l'Économie politique, pp. 274-275.

America Process, Vol. I. p. 101.

On this point we must dissociate ourselves from the interpretation placed upon the passage by M Aftalion in his otherwise excellent monograph L'Œure desemps de Simonde de Simonde (Paris, 1809), as well as from the view expressed by M. Denis (Historie des Systèmes decomiques, Vol. II, p. 306). But Simonde's text appears to us to leave no room for doubt. "At against land we might combine the other two sources of wealth, life which enables a man to work and capital which employs him. These two powers when united possess an expansive characteristic, so that the labour which a worker puts in his work one year will be greater than that put in the preceding year -upon the product of which the worker will have supported himself. It is because of this surplus value [mieux ealse], which increases as the arts and sciences are pro gressively applied to industry, that society obtains a constant increment of wealth. (Nonveaux Principes, Vol. I, p. 103.)

<sup>\*</sup> Ibid., pp. 111-112. Cf. also p. 87. "Wealth, however, co-operates with labour. And its possessor withholds from the worker the part which the worker has produced beyond his cost of maintenance—as compensation for the bely which he has given him." It is true that this proportion is a considerable one "The entrepreneur is bound to leave to the worker just enough to keep him alive, reserving for himself all that the worker has produced over and above this." (P. 103.) But this is not a matter of necessity, a deduction from the laws of value, as at is with

unjust.1 His point of view is not unlike that adopted at a later period by the German socialists when they sought to justify their social policy. But although Sismondi's criticism does not amount to socialism. he causes considerable consternation among Liberals by the telling manner in which he shows the falsity of the theory affirmed by the Physiocrats ! and demonstrated by Smith, namely, the natural identity of individual and general interests. It is true that Smith hesitated to apply it except to production. But Sismondi's peculiar merit lies in the fact that he examined its content in relation to distribution. Sismondi finds himself forced by mere examination of the facts to dispute the very basis of economic Liberalism. Curiously enough, he seems surprised at his own conclusions. A priori the theory of identity of interests appeared to him true, for does it not, in fact, rest upon the two ideas (x) that "each knows his own interest better than an ignorant or a careless Government ever can," and (5) that "the sum of the interests of each equals the interests of all"? "Both axioms are true." Why, then, is the conclusion false?

Here we touch the central theme of Sismondi's system, the point where he leaves the purely economic ground to which the Classical writers had stuck and approaches new territory-the question of the distribution of property. Sismondi discovered the explanation of the contradiction which exists between private and general interests in the unequal distribution of property among men and the resulting unequal strength of the contracting parties. 3, 411

#### III: THE DIVORCE OF LAND FROM LABOUR AS THE CAUSE OF PAUPERISM AND OF CRISES

Sismondi was the first writer to give expression to the belief that industrial society tends to separate into two absolutely distinct classes

-those who work and those who possess, or, as he often put it, the

Nouveur Principes, Vol. I, p. 407 Cf. also pp. 200, 201.

Every one's interest if checked by everybody else's would in reality represent the common interest. But when every one is seeking his own interest at the expense of others as well as developing his own means, it does not always happen that he is opposed by equally powerful forces. The strong thus find it their interest to seize and the weak to acquirece, for the least took as well as the greatest good in a part of the am of human policy." (Itid., p. 407.) G. also 1970, p. 201, note 2.

<sup>1 &</sup>quot;The poor man, by his labour and his respect for the property of others, acquires a right to his home, to warm, proper clothing, to ample nouralment sufficiently varied to maintain health and strength. . . Only when all these things have been secured to the poor as the fruit of their labour does the claim of the rich come in. What is superfluous, after supplying the needs of every one, that should constitute the revenue of opelence." (Eludis sie l'Economis politique, Vol. 1, p. 273.) Here we see quite clearly the sense in which Samonod unes the term "spoulation."

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rich and the poor. Free competition hastens this separation the disappearance of the intermediate ranks and leaving proletariat and the capitalist. "The intermediate classes, at one point,

et one point, have all disappeared: the amall proprietor and the peasar of the plain, the master craftsman, the small manufacturer village tradesmen, all have failed to withstand the compositions who control great industries. Society no longer has a save for the great capitalist and his bureling, and we are we the frightfully rapid growth of a hitherto unknown classwho have absolutely no property.<sup>2</sup>

"We are fiving under entirely new conditions of which as yet no experience. All property tends to be divorced from every toil, and therein is the sign of danger."

This law of the concentration of capital which plays such portant role in the Marxian system, though true of industry hardly applicable to property, for a considerable concentral abour is not incompatible with a fairly even distribution of p. It was a memorable exposition that Sismond gave of this having how it wrought it awayers in articulture, in industry.

commerce all at the same time.

The tillage of the 34,250,000 acres under cultivation in E was, in 1831, accomplished by 1,046,982 cultivators, and no expected that the number may be still further reduced. No have all the small farmers been reduced to the position of lab but a great number of the day labourers have been forced to don field work altogether. The industry of the towns has a the principle of amalgamation of forces, and capital has been to capital with a vigour greater than that which has joine unto field. The manufacturer with a capital of £1000 was the to disappear. Soon those who worked with £10,000 were sidered small-too small. They were reduced to ruin and places taken by larger employers. To-day those who trade t capital of £100,000 are considered of an average size, and the is not far distant when these will have to face the competit manufacturers with a capital of £1,000,000. The refining m the Gironde dispensed with millers; the cask mills of the ruined the coopers; the building of steamboats, of diligence

omnibuses and railways with the aid of vast capitals have refis There is one fundamental change which is still possible in society, and universal struggle created by compection, and that is the introduction of the staria into the ranks of human beings—the prolestrals, where name, borrosethe Romans, is so old, but who is himself to new. (Earlis or Patientic per-

the unpretentious industries of the independent boatman, carriageor wagon-maker. Wealthy merchants have entered the retail trade and have opened their immense shops in the great capitals, where, in virtue of the improved means of transit, they are able to offer their provisions even to consumers who live at the very extremities of the empire. They are well on the way towards suppressing the wholesale trader as well as the retail dealer, and the petty shopkeeper of the provinces. The places of these independent tradesmen will soon be taken over by clerks, hirelings, and proletarians,

And now for the consequences of such a condition of things. In this opposition existing between these two social classes which formerly lived together harmoniously we shall find an explanation of the workman's misery and of economic crises.

The sufferings of workmen, whence do they spring, if not from the fact that their numbers are in excess of the demand for their labour. thus forcing them to be content with the first wage that is offered them, even though it be opposed to their own interests and the interest of the whole class? But "whence the necessity of submitting to these onerous conditions and of tolerating a burden that is ever becoming heavier under pain of hunger and death?" The explanation lies in the separation of property and toil. \* (Formerly the workman, an independent artisan, could cause his revenue and limit his family accordingly, for population is always determined by revenue 'Nobbed of his belongings, all his revenue is to-day out from the capitalist who employs him Ignorant of the future demand for his products as

Etudes pur l'Économie politique, unired , pp 99 et seg.

a "That every one understands his own interest better than any Government ever can is a maxim that has been considerably emphanized by economics. But they have too lightly affirmed that the interest of each to avoid the greatest end coincides with the general interest. It is to the interest of the man who wishes so impoverish his neighbour to rob him, and it may be the latter's interest to let him do it provided he can escape with his life.

"But it is not in the interest of society that the one should exercise the force and that the other should yield. The interest of the day labourer undoubtedly is that the wages for a day of ten hours should be sufficient for his upkeep and the upbringing of his children. It is also the interest of society. But the interest of the unemployed is to find bread at any price. He will work fourteen hours a day, will writ his children to work in a factory at six years of age, will jeopardize his own health and life and the very existence of his own class in order to escape the pressure of present need."

(Neuroux Principes, Vol. 1, pp. 200-201.) 1 /bid . p. 201.

a "Population will then regulate stielf simply in accordance with the revenue Where it exceeds this proportion it is always just because the fathers are deceived as to what they believe to be their revenue, or rather because they are deceived by society " (Bod , Vol. 11, p 254) " The more the poor is deprived of all right of property the greater is the danger of its mistaking its revenue and contributing to the growth of a population which, because it dies not correspond to the demand for labour, will never find sufficient means of subsistence." (Ibd. en. 264-264)

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well as of the quantity of labour that may be necessary, he has no longer any excuse for exercising forethought, and accordingly he discards it. (Population grows or diminishes in accordance with the will of the capitalist.) "Let there be an increased demand for labour and a sufficient wage offered it and workmen will be born. If the demand fails, the workmen will perish."1

(This theory of population and wages is really Smith's, who tried to prove that onen, like commodities, extended or limited their numbers according to the needs of production. Sismondi, rather than accept it as a proof of the harmonious adaptation of demand to supply, emphasizes the lamentable effects of the separation of wealth from labour. Smith and Sismondi both fell into the error of Malthus and Ricardo, who imagined that high wages of necessity increased population. To-day facts seem to show that a higher standard of well-being, on the contrary, tends to limit it, and the proletarians, who constitute the majority of the nation, can no longer be treated as mere tools in the hands of the capitalists, to be taken up or thrown aside according

to fancy or interest. What is true of industrial employees is no less true of the toilers of the field. In this connexion Sismondi introduces the celebrated distinction between net and gross production which has occupied the attention of many economists since then. If the peasants collectively owned all the land they would at least of a certainty find both the security and , the support of their life in the soil. They would never let the gross produce fall below what was sufficient to support them, 2 \But with great landed proprietors, and with the peasant transformed into the agricultural labourer, things have changed. (The large proprietors have the net product only in view-that is, the difference between the

cost of production and the sale price. It matters little to them if the

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or to work and being them into being " (But. pp 269-270.) \* Bil , Vol. I, pp. 253, 264.

<sup>1</sup> Nouveaux Principes, Vol. II, p. 286. We note that Sismondi does not accept Malthus's theory of population. (He never admits that population depends upon the means of subsistence; he holds that it varies according to the will of the proprietor, who stimulates or retards it according to his demand, but who is interested in its limitation in order to secure for himself the maximum net product.) "Population has never reached the limits of possible subsistence, and probably it never will. But all those who desire the subsistence have neither the means nor the right to extract it from the soil. Those, on the contrary, to whom the laws give the monopoly of the land have no interest in obtaining from at all the subsistence it might produce. In all countries proprietors are opposed, and must be opposed, to any system of cultivation which would tend merely to multiply the means of subsistence while not increasing the revenue. Long before being arrested by the impossibility of finding a country which produced more subsistence population would be checked by the impossibility of finding the people to buy those means

gross produce is sacrificed for the sake of increasing the net produce. Here you have land which, when well cultivated, brings gross produce / of the value of 1000 shillings to the farmer and yields 100 shillings in . rent to the proprietor. But the proprietor thinks that he would sain 110 shillings if he left it fallow or let it as unprofitable pasture.

His gardener or vinedresser is dismissed, but he gains 10 shillings and the nation loses 800. By and by the capital employed in producing this plentiful supply will no longer be so employed, and there will be no profit. The workers whose former toil produced these products will no longer be employed and no wages will be paid.

Examples are plentiful enough. A number of the great Scots proprietors, in order to replace the ancient system of cultivation by the onen pasture system, sent the tenants from their dwellings and drove them into the towns or huddled them on board ships for America. In Italy a handful of speculators called the Mercanti di tenute, animated by similar motives, have hindered the repopulation and cultivation of the Roman Campaona.

that territory formerly so very fertile that five acres were sufficient to provide sustenance for a whole family as well as sending a recruit to the army. To-day its scattered homesteads, its villages, the whole population, together with the farm enclosures, the vineyards, and the olive plantations—products that require the continual loving attention of mankind—have all disappeared, giving place to a few flocks of sheep tended by a few miserable shepherds.2

The criticism is just, but is directed rather against the abuse of private property than against the principle of the net product, for this principle is incident to peasant proprietorship as well. It is inevitable wherever production for a market takes place.

It is just this opposition between proprietorship and labour that supplies an explanation of economic crises.

 Nonreux Principes, Vol. I, p 153.
 Ibid., p. 225. This problem of the net and gross produce occupied Sumonda's attention for a long time We find a suggestion of it in his first work, Le Tableau de l'Agraculture foscene (Geneva, 1801), and though he does not definitely take the side of the gross produce, he shows some leanings that way "Why is the gain of a single rich farmer considered more profitable for a State than the miserable earnings of several thousand workers and peasants?" The book, however, is a treatise on practical agriculture, and includes only a few economic dicta. It is here that we have his beautiful description of his farm at Val Chiuso (p. 219).

It is true that Sismondi wished to get rid of the practice of producing corn for a market, so as to free the nation's food from the fluctuations of that market Neither is he over-enthusiastic in his praise of the gross produce. He recognizes that the gradual growth of the gross produce might, in its way, be the consequence of a state of suffering if population were to progress too rapidly (Ibid., p. 153). This shows

what a hesitating mind we are dealing with

Sismondi holds the view that crises are due partly to the difficult of acquiring exact knowledge of a market that has become very extensive, and partly to the fact that producers are guided in their actions by the amount of their capital rather than by the demand of the market.1) But above all he thinks that they are due to the unequal

distribution of revenues. The consequence of the separation of property from labour is that the revenues of those who possess lands increase while the incomes of the workers always remain strictly at the minimum. The natural result is a want of harmony in the demand for products. With property uniformly divided and with an almost general increase in the revenue there would result a certain degree of uniformity in the growth of demand. Those industries which supply our most essential and most general wants would experience a regular and not an erratic expansion. But as a matter of fact at the present time it is the revenue of the wealthy alone that increases-Hence there is a growing demand for the more refined objects in place of a regular demand for the ordinary things of life: a neglect of the more fundamental industries, and a demand for the production of luxuries. If the latter do not multiply quickly enough, then the foreigner will be called in to satisfy the demand. What is the result of these incessant changes? The old, neglected industries are obliged to dismiss their workmen, while the new industries can only develop slowly. During the interval the workmen who have suffered dismissal are forced to reduce their consumption of ordinary goods, and permanent under-consumption, attended by a crisis, immediately follows.

"Owing to the concentration of wealth in the hands of a few proprietors, the home market is contracted and industry must seek other outlets for its products in foreign markets, where even more considerable revolutions are possible."2 Thus "the consumption of a millionaire master who employs 1000 men all earning but the bare necessities of life is of less value to the nation than a hundred men each of whom is much less rich but who employ each ten men who

are much less poor."3 Sismondi's explanation of crises, though adopted by many writers since then, is not one of the best. The difficulty of adaptation would

 Nouveaux Principes, Vol. I, p. 368.
 Ibsd., p. 36s.
 Elsewhere he remarks: "The petty merchants, the small manufacturers, deappear, and a great entrepreneur replaces hundreds of them whose total wealth was never equal to his. Taken altogether, however, they consumed more than he does. His costly luxury gives much less encouragement to industry than the honest case of the hundred homes which it has replaced." [Ibid , Vol. II, p. 327.] The theory is more than doubtful. What we want to know is whether the demand will remain the same in amount, not whether there will be no change in its character-a contingency that need not result in a general crisis, but simply in a passing inconvenience.

in all probability not disappear even if wealth were to be more equally distributed. Moreover, what he attempt to ceplain in an evil that chronic in certain industries and not the acute periodical crises. But the theory has the merit of attempting to explain what still remains obscure, and what J. B. Say and Ricardo preferred to pass over in silence or regarded as of secondary importance under pretext that in the long run equilibrium would always be re-established. We shall return to this subject in Book VI.

#### IV: SISMONDI'S REFORM PROJECTS HIS INFLUENCE UPON THE HISTORY OF DOCTRINES

The principal interest of Sismondi's book does not lie in his attempt to give a scientific explanation of the facts that occupied his attention. Indeed, these attempts have little that is altogether satisfactory, for the analysis is frequently superficial, and even commonplace. His merit rather lies in having placed in strong relief certain facts that were consistently neglected by the dominant school of economists. Taken as a whole, his doctrine must be regarded as pessimistic. (He deliberately shows us the reverse of the medal, of which others, even those whom we have classed as Pessimists-Ricardo and Malthuswished only to see the brighter side. It is no longer possible to speak of the spontaneous harmony of interests, or to forcet the misery and suffering which lie beneath an appearance of economic progress. Crives eannot be slipped over and treated as transient phenomena of no great moment. No longer is it possible to forget the important effects of an uncoust division of property and revenues, which frequently results in nutting the contracting parties in a position of fundamental inequality that annuls freedom of bargaining. In a word, it is no longer possible to forget the social consequences of economic transformations. And herein her the sphere of social politics. of which we are now going to speak.

The new point of view occupied by Sumondi enables him to see that the fire play of prevate interests often involves injury to the gernal interest, and that the launce-fair doctrine preached by the school of Adam Smith has no longer any ratios after. On the contrary, there is been for the interestinion of seriety, which should set a limit to " individual action and correct its abuses. Symondi thus becomes the fact of the interestinionist.

State action, in the first place, ought to be employed in curbing freduction and in putting a drag upon the too capid multiplication of inventions. Summel dreams of progress accomplished by easy

stages, injuring no one, limiting no income, and not even lowering the rate of interest.1 His sensitiveness made him timid, and critics smi at his philanthropy. Even the Saint-Simonians, too sympathetic t certain of his views, reproach him with having allowed himself to b misled by it.2 This state of mind was reflected in his habits in privat life. Sainte-Beuve's relates of him how he used to employ an old lock smith who had become so useless and awkward that everybody had left him. Sismondi remained faithful to the old man even to the very end, despite his inefficiency, lest he should lose his last customer. He wished society to treat the older industries in a similar fashion. He has been compared to Gandalin, the sorcerer's apprentice in the fable, who, having unlocked the water-gate with the magic of his words, sees wave succeed wave, and the house inundated, without ever being able to find the word which could arrest its flow.

Governments ought to temper their 'blind zeal' instead of urging on production.4 Addressing himself to the savants, he begs them to desist from invention and recall the sayings of the economists, laissezfaire, laissez-passer, by giving to the generations which their inventions render superfluous at least time to pass away. For the old regime, with its corporations and wardens, he had the sincerest regard, while condemning them as being harmful to the best interests of production. Still he wondered whether some lesson could not be gleaned from them which might help us in fixing limits to the abuses of competition.

Sismondi never seems to have realized that any restriction placed upon production with a view to alleviate suffering might hinder the progress and well-being of the very classes that interested him most. The conviction that the production of Europe was enough to satisfy all demands supported these erroneous views. Sismondi never suspected the relative poverty of industrial society, a fact that struck J. B. Say very forcibly. Moreover, he felt that on this point the policy . of Governments was not so easily modified, a feeling that undermined his previous confidence.

Sismondi applies the same principles to a consideration of a fall in the rate of interest as he does to the growth of production or the increase of machinery. "An increase of capital is desirable only when its employment can be increased at the same time. But whenever the rate of interest is lowered it is a certain sign that the employment of capital has proportionally diminished as compared with the amount available; and this fall in the rate, which is always advantageous to some people, is disadvantageous to others—some will have to be content with smaller incomes and others with none at all." (Naccous Principes, Vol. I, p. 373)

<sup>\*</sup> Compare the Saint-Sumonian review, Le Productor, Vol. IV, pp. 557-558. Nouman Lands, Vol. 17, p. 81.

<sup>\*</sup> Erules no l'Economie politique, Vol. 1, pp. 60, 61. Amenica Principes, Vol. 1, p. 341; Vol. 11, p. 459.

<sup>\*</sup> Ind , Vol. II, pp. 415, 435. See also Ender, Vol. I. p. 25.

Since the causes of the evils at present existing in society are (1) the absence of property, (2) the uncertainty of the earnings of the working classes, all Government action ought to be concentrated on these points.

The first object to be aimed at, wherever possible, was the union of labour and property; and Sismondi eulogizes the movement towards a new partiarchal state—that is, towards a revival of peasant proprietorship. The Neueeux Pracepte contains a celebrated description of the idyllic happiness of such a state. In industry he wished for a return of the independent artisan.

I am amious that the industries of the town as well as country purposis should be carried on by a great number of independent workers instead of being controlled by a single chief who rules over hundreds and even thousands of workers. I hope to see manufactures in the hands of a great number of capitalists of average means, and not under the thumb of one single individual who constitutes himself master over millions. I long to see the chance—nay, even the certainty—of being associated with the master extended to every industrious workman, so that when he gets married he may feel that he has a stake in the industry instead of dragging on through the declining years of life, as he too often does, without any prospect of advancement.

This for an end.

But the means? On this point Simondi shows extraordinary imidity. Appeal to the legislator is not followed up by a plan of campaign, and in moments of scepticism and despair he even doubts whether reform is ever possible. Aff. declares himself an opponent of communism. He rejects the Utopias of Owne, of Thompson, and of Fourier, although he recognizes that their aum was his also. He failed to perceive that his 'breaking up' process was quite as illusory as the communistic Utopias which he shunned. He rejected Owen's system because he saw the folly of attempting to substitute the interest of a corporation for that of the individual. But he never realized that it had nothing to do with a corporation, and it is possible that were he alive at the present time he would be an ardent champion of cooperation.

But until the union of property and labour is realized Sismondi is

content with a demand for a simpler reform, which might alleviate the more pressing sufferings of the working classes. First of all he appeals for the restoration, or rather the granting, of the right of combination. Then follows a limitation of child labour, the abottion of Sunday out, and a shortening of the hours of labours. He also

1 Noviceur Principes, Vol. II, pp. 365-366. 1 Bid., p. 451. 4 Bid., p. 338.

SISMONDI AND ORIGINS OF CRITICAL SCHOOL

Idemanded the establishment of what he called a "professional guaran tee," whereby the employer, whether agriculturist or capitalist, woul be obliged to maintain the workman at his own expense during period of illness or of lock-out or old age. This principle once admitted the employers would no longer have any interest in reducing the wage of the workman indefinitely, or in introducing machinery or in multi

plying production unduly. Having become responsible for the fat of the workers, they would then take some account of the effect which invention might have on their well-being, whereas to-day they simply regard them from the point of view of their own profits. One might be tempted to regard this as an anticipation of the great ideal which has to a certain extent been realized by the social insurance Acts passed during the last thirty years. But this is only partly so. Sismondi placed the charge of maintenance upon the master and not upon society, and his criticism of methods of relief, especially of the English Poor Law, was that they tended to decrease wages and to encourage the indifference of masters by teaching the workers to seek refuge at

the bands of the State rather than at the hands of the masters. In short, his reform projects, like his criticism of the economists, reveal a certain degree of hesitation, due, no doubt, to the perpetual conflict between reason and sentiment. Too keen not to see the benefits of the new industrial regime, and too sensitive not to be moved by some of its more painful consequences, too conservative and too wise to hope for a general overthrow of society, he is content to remain an astonished but grieved spectator of the helplessness of mankind in the face of this evil. He did not feel himself competent to suggest a remedy. He himself has confessed to this in touching terms:

I grant that, having indicated what in my opinion is the principle of justice in this matter, I do not feel myself equal to the task of showing how it can be realized. The present method of distributing the fruits of industry among those who have co-operated in its production appears to me to be curious. But a state of society absolutely different from that with which we are now acquainted

appears to be beyond the wit of man to devise."

It is a striking fact that most of the important social ideas in the neterith contract of the important social ideas in the nineteenth century can be traced back to Sismondi's writings. They

have been confirmed by the events that have followed the First World War. He was the first critic whom the Classical school encountered in its march, and he treats us to a full resume of its many heresics. In the bitter struggle which ensued the heretics won the day, their nostrums taking the place of the Classical doctrines in the public

1 Bid , p. 54+

· favour. But it seems hardly possible that Sismondi's work should have determined the course of these newer tendencies. His immediate influence was extremely limited. It scarcely told at all except upon the socialists. His book was soon forgotten, and not until our own day was its importance fully realized. It would be truer to say that in the course of the nineteenth century there was a spontaneous revival of interest in the ideas promulgated by Sismondi. None the less he was the first writer to raise his voice against certain principles which were rapidly crystallizing into dogmas. He was the earliest economist who dared resist the conclusions of the dominant school, and to point to the existence of facts which refused to tally with the large and simple generalizations of his predecessors. If not the founder of the new schools that were about to appear, he was their precursor. They are inspired by the same feelings and welcome the same ideas. His method is an anticipation of that of the Historical school. His definition of political economy as a philosophy of history works wonders in the hands of Roscher, Knies, and Hildebrand His plea

wonders in the hands of Roecher, Knills, and Hildebrand. His plea for a closer observation of facts, his criticism of the deductive process and jut hasty generalizations, will find an echo in the writings of Le Play'in France, of Schmbller in Germany, and of Gillic Leslie and Toynbee in England. The Gounders of the German Historical school, in their ignorance of forcign writers, regarded him as a socialist, but the younger representatives of that school have done full instite to his

memory, and recognize him as one of their earliest representatives.

By his appeal to sentiment and his sympathy for the working classes, by his criticism of the industrial regune of machines and competition, by his refusal to recognize personal interest as the only economic motive, he forestudows the wolent reaction of humanitarianism against the stern implacability of economic orthodoxy. We can almost hear the eloquence of Rustin and Carlyle, and the pleading of the Christian Socialists, who in the name of Christian clarity and human collidative morest searing the world government of the contract search of the world government of the contract search of the world government of the contract search of the contract o

offer in the tooluries or Austin and Cariye, and the pleasing of the Christian Socialists, who in the name of Christian charity and human solidarity protest against the social consequences of production on a large scale. Like Simmodi, social Christianity will direct its attack, not against the science itself, but against the easy bourgeois compleacency of its advocates. A charge of selfshees will be brought, not against conomic science as such, but against its representatives and the particular form of society which it unbolds.

Finally, by his plea for State intervention Sismondi inaugurated a reaction against Liberal absolutism, a reaction that deepened in intensity and covered a wider area as the century wore on, and which

<sup>2</sup> See section i of present chapter.

<sup>4</sup> Knies, strangely enough, classes him with the socialists.

found its final expression in State socialism, or "the socialism of the . Chair." He was the first to advocate the adoption of factory legislation

in France and to seek to give the Government a place in directing it economic affairs. The impossibility of complete abdication on the part of the State would, he thought, become clearer every day. Bu it was little more than an aspiration with him; it never reached th

stage of a practical suggestion. Thus in three different ways Sismondi's proposals were destined to give rise to three powerful currents of thought, and it is not surprising that interest in his work should have grown with the development o

the new tendencies which he had anticipated. His immediate influence upon contemporary economists was very slight. Some of them allowed themselves to be influenced by his warmheartedness, his tenderness for the weak, and his pity for the workers, but they never found this a sufficient reason for breaking off their

connexions with the Classical school. Blanquil in particular was a convert to the extent that he admitted some exceptions to the principle of laissez-faire. Theodore Fix and Droz seemed won over for a moment, and Sismondi might rightly have expected that the Revue mensuelle d'économie politique, started by Fix in 1833, would uphold his vieus. But the days of the Revus were exceedingly few, and before finally disappearing it had become fully orthodox. Only one author, Buret, in his work on the sufferings of the working classes in England and France,3 has the courage to declare himself a wholehearted disciple of Sismondi. The name of Villeneuve-Bargemont, author of Economic

politique chrétienne, must be added to these. His work, which was published in three volumes in 1834, bears frequent traces of Sismondi's influence. Sismondi, though not himself a socialist, has been much read and carefully studied by socialists. It is among them that his influence is most marked. (This is not very surprising, for all the critical portion of his work is really a vigorous appeal against competition and the inequalities of fortune. Louis Blanc read him and borrowed from him more than one argument against competition. The two German

A. Blanqui, in his Histoire de l'Économie politique en Europe (1837), considers him a writer of the modern school, which he describes as follows: "Writers of this school are no longer willing to treat production as a pure abstraction apart from its influence upon the workers. To produce wealth is not enough; it must be equitably distributed." (Introd., 3rd ed., p. xxi.) Drox (1773-1850) published in 1829 his Economic politique, ou Principes de la Sciente

des Richesses. It is in this work that we find the famous phrase, "Certain economists seem to think that products are not made for men, but that men are made for the

Paris, 1841, two volumes. Buret died in 1842 when thirty-two years of age.

socialists Rodbertus and Marx are still more deeply indebted to him. . Rodbertus borrowed from him his theory of crises, and owes him the suggestion that social progress benefits only the wealthier classes. Rodbertus quotes him without any mention of his name, but Mark in his Manifesto has rendered him full justice, pointing out all that he owed to his penetrative analysis. The most fertile idea borrowed by Marx was that which deals with the concentration of wealth in the hands of a few powerful capitalists, which results in the increasing dependence of the working classes. (This conception is the pivot of the Manifesto, and forms a part of the very foundation of Marxian collectivism.) The other idea of exploitation does not seem to have been borrowed from Sismondi, although he might have discovered a trace of the surplus value theory in his writings. Marx endeavours to explain profit by drawing a distinction between a worker selling his labour and parting with some of his labour force. Sismondi employs terms that are almost identical, and says that the worker when selling his labour force is giving his life. Elsewhere he speaks of a demand for 'labour force.' Sismondi never drew any precise conclusion from these ideas, but they may have suggested to Marx the thesis he took such pains to establish.

(Many a present-day socialist, without acknowledging the fact, perhaps without knowing it, loves to repeat the arguments which Sismondi was the first to employ, to stir up his indifferent contemporaries>

tist in event energies and Summers disease with a service of the s

#### CHAPTER II: SAINT-SIMON, THE SAINT-SIMONIANS, AND THE BEGINNINGS OF COLLECTIVISM

Stsmonds, by supplementing the study of political economy by a study of social economics, had already much enlarged the area traced for the science by its founders. But while giving distribution the position of honour in his discussion, he never dared carry his criticism as far as an examination of that fundamental institution of modern society -private property. Property, at least, he thought legitimate and necessary. Every English and French economist had always treated it as a thing apart-a fact so indisputable and inevitable that it formed the very basis of all their speculations.

Suddenly, however, we come upon a number of writers who, while

212 SAINT-SIMON AND THE SAINT-SIMONIANS definitely rejecting all complicity with the earlier communists a admitting neither equality of needs nor of faculties, but tending to agreement with the economists in claiming the maximum of prod

tion as the one aim of economic organization, dare lay their har upon the sacred ark and attack the institution of property with who hearted vigour. Venturing upon what had hitherto been holy groun they displayed so much skill and courage that every idea and eve formula which became a commonplace of the socialistic literature the later nineteenth century already finds a place in their system Having definite ideas as to the end which they had in view, th challenged the institution of private property because of its effect upon the distribution and production of wealth. They cast dou upon the theories concerning its historical evolution, and conclude

dustrial organization of modern society. The problem of privaproperty was at last faced, and a recurrence of the discussion wa henceforth to become a feature of economic science.1 1 It was not intended that any reference should be made in this volume to the doctrine of socialism before the opening of the nineteenth century, but the question whether the French Revolution of 1789 was socialist in character or simply middle class, as the socialists of to-day would put it, has been so frequently discussed that w cannot ignore it altogether.

that its abolition would help the perfection of the scientific and it

There is no doubt that the leaders of the Revolution-including Marat, even, who is wrongly regarded as a supporter of that agrarian law which he condemned as fatal and erroneous-always showed unfailing respect for the institution of private property The confiscation of the property of the Church and of the imeri nobles was a political and not an economic measure, and in that respect is fairly comparable with the historic confiscation of the property of Jews, Templars, Huguerots, and Irish, which in no case was inspired by merely socialist motives. The confiscation of endowments -of goods belonging to legal persons-was regarded as a means of defending individual or real property against the encroachments of merely fictitious persons and the tyranny of the dead hand. When it came to the abolition of feudal rights great care was taken to distinguish the tenant's rights of sovereignty, which were about to be abolished, from his proprietary rights, which deserved the respect of every one who recognized the legitimacy of compensation. In practice the distinction proved of little importance. Scores of people were ruined during those unfortunate months some through mere misfortune, others because of the muddle over the issue of assignats, and others, again, because of the confiscation of rents; but the intention to respect the rights of property remains indisputable still. It would seem that in this matter the revolutionary leaders had come under the influence of the Physiocraes, whose cult of property has already engaged our attention. And how easy it would be to imagine a Physiocrat penning Article 17 of the Declaration of the Rights of Man when it speaks of property as an inviolable, sacred right! But, on the other hand, it is true that Rousseau in his article Economic politique speaks of the rights of property as the most sacred of the citizen's rights.

It was not only on the question of property that the revolutionists of 1789 showed themselves anti-occialist. They were also anti-occialist in the sense that they paid no attention to class war and ignored the antagonism that exists between capitalists and workers. All were to be treated as citizens and brothers, all were equal and afile.

However, those who claim the most intimate connexion with the spirit of the Revo-

Not that it had hitherto been neglected. Utopian communits from Plato and More up to Mably, Morelly, Godwin, and Babeuf, the eighteenth-entury equalitarians, all rest their case upon a criticism of property. But hitherto the question had been treated from the point of view of citalier rather than of economics. The originality of

bution remain understayed by such considerations. They endeavour to show that its Revivations was not quite as conservative not so completely understandiatities as it generally supposed, and after diffigure tearth they claim to have discovered certain to considerate the conservation of capital and labour, should have been solved as the end of the eighteenth century? It would have been wore than unders for the most of 1958 and 1958 to try to require such things in advance." (Aulard, Address to Students, April 21, 1832, G) in this labour than the conservation of the conservation of

We must not bee sight of the communist plot hatched by Françon Babeuf during the period of the Revolution. Bit in this case, a sin yrast, the extryonon proves the rule, for, despite the fact that Babeuf had assumed the suggestive name of Gauss Greachas, he found little sympathy among the mee of the Convertion, even in La Montagne, and he was condemned and executed by order of the Durectory. Babeuff a hot is interesting, if only as an anticipatory protest of Fre-obtuneary socialism.

against bourgeon revolution. Cf. Aulard, loc. est., p. 627.

Not to preak of redeficined Uniquian like Piana, Meré, and Companella, a number of writers who have been minutely stunded by Lichtenberger undertook to supply such cruician in the eighteenth centure. Merelly, Malsky, Brusset, and Metales the condition in the eighteenth centure. Merelly, Malsky, Brusset, and Metales the condition of property with becoming vigour. Babeut, who in 1739 suffered death for his attempt to establish a community or equals, has left us a summany of their theorers. But the Sanne-Summan owe them nothing in the very of inspiration. Engineenth-century socialism was essentially was the inequality of pleasure and of well-being, for which they held the institution of provise property responsible. "If nen have the name needs and the sanne faculties they ought to be given the same material and the same intellectual opportunishie," says the Annyloid de Egans. But the Sannetsmontain recognize neither equality of meets nor of faculties, and they are particularly annotion not to be cleased along with though of upon the right to appoint of the generated law. Their accustines, which is the careeding to experite, many an incident equality of more properties and the same recognition of the generated along with though of upon the right to appoint of the generated law undergrave,

The Saint-Simonista seems to have remanded in agnorance of the acculait theores of their contemporaries, the French Fourier and the English Thompson and Oven. Fourier's work only became shown to Enfantin after his own economic doctrine had been formulated. Saunt-Sumon and Bazard appear never to have read him. It is probable that Enfantio only became aware of Fourier's writings after 1809, and when did be interested himself merely in those that dealt with free low and the theory of passions. As Bourgm pair it. "If Fourier did anything at all, he has rather hatsender the decomposition of Saint-Simoniston." (Heary Bourgo, Fourier, p. 4.97 Jaris, 1903.)

The English socialists are never as much as memorated. The No. 15 in the 15

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the Saint-Simonian treatment is that it is the direct outcome of the economic and political revolution which shook France and the who

of Europe towards the end of the eighteenth and the beginning of th nineteenth centuries. The socialism of Saint-Simon is not a vagu aspiration for some pristine equality which was largely a creation of the imagination. It is rather the naive expression of invenile enthusian in the presence of the new industrial regime begotten of mechanica

invention and scientific discovery. The modern spirit at its best it

what it would fain reveal. It sought to interpret the generous aspira-

tions of the new bourgeois class, freed through the instrumentality of the Revolution from the tutelage of baron and priest, and to show how the reactionary policy of the Restoration threatened its triumph. Not content, however, with confining itself to the intellectual orbit of the bourceoisie, it sought also to define the sphere of the workers in future society and to lay down regulations for their benefit. But its appeal was chiefly to the more cultured classes - engineers, bankers, artists, and savants. It was to these men all of them members of the better classes-that the Saint-Simonians preached collectivism and the suppression of inheritance as the easiest way of founding a new society

upon the basis of science and industry. Hence the great stir which the new ideas caused Consequently Saint-Simonism appears to be a somewhat unexpected extension of economic Laberalum rather than a tardy renewal of ancient socialistic concentions.

We must, in fact, distinguish between two currents in Saint-Simonism The one represents the doctrine preached by Saint-Simon himself, the other is that of his disciples, the Saint-Simonians. Sunt-Simon's creed can best be described as "industrialism" plus a slight admixture of averalism, and it thus naturally links itself with economic Liberalam, of which it is simply an exaggerated development. The damples' dictrine, on the other hand, can only be described at collectivism. But it is a collectivism begically deduced from two of the master's principles which have been extended and amplified for a having of economic ideas it is the theories of the disciples that matter most, perhaps. But it would be impossible to understand these without Amoning memeriling of Sainte-Samun's theory. We shall give an explana-

tion of his distrine, first attempting to show the links which surely, Question and his mitted send hours or her. The Photocrate good has all character to more describe, which the mineralises werent the service and in develop And Science IN the facts and one of the Cours de Philosophe, has entorined publical or many or minest experient from which allows an obtained proof of the artenance to

though strangely enough, affiliate the socialism of Saint-Simon with economic Liberalism.

#### I: SAINT-SIMON AND INDUSTRIALISM

Saint-Simon was a nobleman who led a somewhat dissolute, adventurous life. At the early age of sixteen he took part in the American War of Independence. The Revolution witnessed the abandonment of his claim to nobility, but by successful speculation in national property he was enabled to retrieve his fortune to some extent. Imprisoned as a suspect at Sainte-Pélagie, set free on the 9th Thermidor, he attained a certain notoriety as a man of affairs interested chiefly in travels and amusements and as a dilettante student of the sciences. From the moment of his release he began to regard himself as a kind of Messiah.1 He was profoundly impressed by what seemed to him to be the birth of a new society at which he had himself assisted, in which the moral and political and even physical conditions of life were suddenly torn up by the roots, when ancient beliefs disappeared and nothing seemed ready to take their place. He himself was to be the evangelist of the new gospel, and with this object in view on the 4th Messidor, An. VI, he called together the capitalists who were already associated with him and, pointing out the great necessity for restoring public confidence, proposed the establishment of a gigantic bank whose funds might be employed in setting up works of public utility-proof of the curious way in which economic and philosophic considerations were already linked together in his thoughts.\* An illconsidered marriage which was hastily broken off, however, was followed by a period of much extravagance and great misery. By the year 1805 so reduced were his circumstances that he was glad to avail himself of the generosity of one of his old servants. After her death he lived partly upon the modest pension provided him by his family and partly upon the contributions of a few tradesmen, but he was again so miserable that in 1823 he attempted suicide. A banker s of the name of Olinde Rodrigues came to the rescue this time and supplied him with the necessary means of support. He died in 1825, surrounded by a number of his disciples who had watched over the last moments of his earthly life. During all these years, haunted as he was by the need for giving to the new century the doctrine it so much required, he was constantly engaged in publishing brochures, new

<sup>&</sup>lt;sup>1</sup> Of especially Dumas, Psychologic de desc Mentes positivites, Sout-Somm et A. Conta (Paris, 1994), and for biographical details Welll, Sout-Somm et son Gure (1894).
<sup>1</sup> Well, Sout-Somm et son Gurer, p. 19.

works, or selections from his earlier publications, sometimes alone and sometimes in collaboration with others.1 in which the same suggestions are always revived and the same ideas keep recurring, but in slightly different forms

Saint-Simon's earlier work was an attempt to establish a scientific synthesis which might furnish mankind with a system of positive morality to take the place of religious dogmas. It was to be a kind of 'scientific breviary' where all phenomena could be deduced from one single idea, that of 'universal gravitation,' He himself has treated us to a full account of this system, which is as deceptive as it is simple, and which shows us his serious limitations as a philosopher whose ambition far outran his knowledge. Auguste Comte, one of his disciples, attempted a similar task in his Cours de Philosophie positive and in the Politique positive, so that Saint-Simon, who is usually considered the father of socialism, finds himself also the father of positivism.

From 1814 up to his death in 1825 he partly relinquished his interest in philosophy and devoted himself almost exclusively to the exposition of his social and political ideas, which are the only ones that interest us here.

'His economics might be summed up as an apotheosis of industry, using the latter word in the widest sense, much as Smith had employed the term as synonymous with labour of all kinds.

His leading ideas, contained within the compass of a few striking pages, have since become known as "Saint-Simon's Parable."

"Let us suppose," says he,

that France suddenly loses fifty of her first-class doctors, fifty firstclass chemists, fifty first-class physiologists, fifty first-class bankers two hundred of her best merchants, six hundred of her foremost agriculturists, five hundred of her most capable ironmasters, etc. [coumerating the principal industries]. Seeing that these men are its most indispensable producers, makers of its most important products, the minute that it loses these the nation will degenerate into a mere soulless body and fall into a state of despicable weakness in the eyes of rival nations, and will remain in this subordina position so long as the loss remains and their places are vacar Let us take another supposition. Imagine that France retains a

In 1814 De la Riorgomienco de la societé européane, by Saint-Simon and A. Thirri his pupil; 1817-18, ladarre, in 4 Vols. (the 3rd Vol. and the first book of the 4th Vol. are the work of A. Comte), 1819, La Polinque; 1821, Le Spirme tabultul, 1813-1 Le Cathle me des futurents (the third book, by A. Comte, brast the title Spieme Polarge penties; 1825, Le Amesen Christonime. Our questions from Saint-See are taken from the Carres de Sunt-Simon et d'Enfants, published by members of the committee manuated by Enfants for carrying out the mater's last water (Far Denta, 1855), and from the Carre chance de Sand-Same, published in 3 Sole 1 Lemonner of Brunch (1849).

her men of genius, whether in the arts and sciences or in the crafts and industries, but has the misfortune to lose on the same day the kings brother, the Dake of Angsuldene, and all the other members of the royal family; all the great officers of the Crown; all ministers of Standing and that the head of a department or not; all the Priva Continuous and the manuscular requests; all the manuscular cardinals, articular, but the property of the

In other words, the official Government is a mere façade. Its action is wholly superficial. Society might exist without it and life would be none the less happy. But the disappearance of the savants, industrial leaders, bankers, and merchants would leave the community crippled. The very sources of wealth would dry up, for their activities are really fluitful and necessary. They are the true governors who wield real power. Such was the parable

According to Saint-Simon, Intle observation is needed to realize that the world we live in a based upon industry, and that anything besides industry is scarcely worth the attention of thinking people. A long process of historical evolution, which according to Saint-Simon ommenced in the twelfih century with the enfranchisement of the ommunes and culminated in the French Revolution, had prepared he way for it.<sup>3</sup> (At least industry is the one cardinal feature of the orsent day.)

The political concerns of his contemporaries were regarded with some measure of despair. The majority of them were engaged either in defending or attacking the Charter of 1814. The Liberals were simply deceiving themselves, examinang old and meaningless formule

<sup>3</sup> It Organizatur, Part I, 1819, pp. 10-20. This passage was republished by Olinde Rodingues in 1832 under the tule of Inte Parabol politique in a volume of miscellaneous writings by Saint-Sumon, with the result that Saint-Sumon was prosecuted before the Cour d'August. He was acquitted, however

"With the enfranchiement of the communes we shall winter the maddle class at least incidence of their liberty, returning up as a pointed power. The enserce of their liberty, returning up as a pointed power. The enserce of their power will consist in freedom from being imposed upon by others without counter, and the same tense growing in political power will be the controlled to the political power of the state of their power of the state of the political power of the state of the political power of the state of the state of the state of their power of the state of the st

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such as 'the sovereignty of the people,' 'liberty,' and 'equality'conceptions that never had any meaning, but were simply metaphysical creations of the jurists, and they ought to have realized that this kind of work was perfectly useless now that the feudal regime was overthrown. Men in future will have something better to do than to defend the Charter against the 'ultras.' The parliamentary regime may be very necessary, but it is just a passing phase between the feudalism of yesterday and the new order of to-morrow. That future order is Industrialism-a social organization having only one end in view, the further development of industry, the source of all wealth and prosperity.

The new regime implies first of all the abolition of all class distinc-I tion. There will be no need for either nobles, bourgeois, or dergy-There will be only two categories, workers and idlers-or the bees and the drones, as Saint-Simon puts it. Sometimes he refers to them as the national and anti-national party. In the new society the second class\* is bound to disappear, for there is only room for the first. This class includes, besides manual workers, agriculturists, artisans, manufacturers, bankers, savants, and artists. Between these persons there

√1"Industry is the basis of liberty. Industry can only expand and grow strong with the growth of liberty. Were this doctrine, so old in fact but so new to many people, once fully grasped instead of those fictitious dreams of antiquity, we should have heard the last of such sanguinary phrases as 'equality or death.'" (Euro, Vol. II, pp. 210-211.)

2 "Lawyers and metaphysicians are wont to take appearance for reality, the name

for the thing." (Syst indust, Gibres, Vol V, p. 12.)

"Parliamentary government must be regarded as an indispensable step in the direction of industrialism." (Œurres, Vol. III, p. 22.) "It is absolutely necessary if the transition from the essentially arbitrary regune which has existed hitherto is to be replaced by the ideal liberal regime which is bound to come into being by and bv." (Ibid , p. 21.)

Writing in 1803 in his Lettres d'un Habitant de Genère, he uses the following words: "Every one will be obliged to do some work. The duty of employing one's personal ability in furthering the interests of humanity is an obligation that rests upon t

shoulders of every one." (Eures, Vol. I, p. 55.)

er 4

5 "I find it essential to give to the term 'labour' the widest latitude possible. Th civil servant, the scientist, the artist, the manufacturer, and the agriculturist are s working as certainly as the labourer who tills the ground or the porter who shoulde his burden." (Introduction to Travaux scientifiques, Œures choines, Vol. I, p. 221.)

The national or industrial party includes the following classes:

1. All who till the land, as well as any who direct their operations. 2. All artisans, manufacturers, and merchants, all carriers by land or by sea. \$ well as every one whose labour serves directly or indirectly for the production or the utilization of commodities; all savants who have consecrated their talents to the study of the positive sciences, all artists and liberal advocates; "the small number o priests who preach a healthy morality; and, finally, all citizens who willingly employ either their talents or their means in freeing producers from the unjust supremac)

exercised over them by idle consumers." "In the anti-national party figure the nobles who labour for the restoration of the ought to be no difference except that which results from their different capacities, or what Saint-Simon calls their varying stakes in the national interest, "Industrial equality," he writes, "consists in each drawing from society benefits exactly proportionate to his share in the State—that is, in proportion to his potential capacity and the use which he makes of the means at his disposal—including, of course, his capital." (Saint-Simon evidently has no desire to to the capitalists of their revenue; his hostility in reserved for the landed proprietors.)

Not only must every social distinction other than that founded upon labour and ability disappear, but government in the ordinary sense of the term will largely become unnecessary. "National association" for Saint-Simon merely meant "industrial enterprises" "France was to be turned into a factory and the nation organized on the model of a vast workshop"; but "the task of preventing thefts and of checking other disorders in a factory is a matter of quite secondary importance and can be discharged by subordinates." In a similar fashion, the function of government in industrial society must be limited to "defending workers from the unproductive sluggard and maintaining security and freedom for the producer." So far Saint-Simon's 'industrialism' is searcely distinguishable from

the 'Liberalism' of Smuth and his followers, especially J. B. Say's. Charles Comte and Dunoyer, writing in their review, Le Consus, were advancing exactly simular doctrines, sometimes even using identical """. "Plenty of scope for talent" and laistes fairs were some of the curitie maximum of the Liberal boursesis. Such also may be advantaged to the contract of the Consustance of the Consust

ourite maxims of the Liberal bourgeois. Such also were the aspirans of Saint-Simon.

But it is just here that the tone changes.6

regime, all protes who make morality consust of blind obedance to the decree Pecco et clery, owners of rest easiest, noblecute who do nothing, pulged who rase arbitrary jurisdiction, as well as solders who support them—ns word, every vish is opposed to the extablishment of the system take in most forwards to money or labority." (Le Paris anomal, in Le Poblique, Œurer, Val III, pp. 909–92. Spit, indext, Œurer, Vol III, pp. 929–96. 1843, Vol III, pp. 929–96. 1945, Vol III, pp. 929–96. 1956, Vol III, pp. 929–97. 1956, Vol III, pp. 929–97.

tx Konomiques de Saint-Sunon, and Allix, article mentioned supra, p. 132.

In the following passage the opposition is very marked. "One must recognize at nearly all Government measures which have presumed to influence social pros-

rity have simply proved harmful. Hence people have come to the conclusion that e.b but ways in which a Government can further the well-being of society is by ting it slone. But this method of looking at the question, however just it may seem have exemiler it in radiators to the present political spaces, no evidently false when have exemiler it in radiators to the present political spaces, no evidently false when have complete it in radiators to the present political spaces and evidence of the control properties at general principle. The impression will remain, however, until two properties of the control prop

Later on the Saint-Simonians abandoned this idea and demanded Governmental

Assuming that France has become a huge factory, the most in portant task that awaits the ration is to insugurate the new man facturing rigine and to seek to combine the interests of the empressure with those of the workers on the one hand and of the consume on the other. There is thus just exouth room for government—of, kind. What is required is the organizing of forces rather than the governing of mon. I Politics need not disappear altogether, but "must be transformed into a governe where of preductive organization."

Under the old system the tendency was to increase the power operations thy establishing the averaglacity of the higher classes switched the lower. Under the new system the aim must be to combine all the forces of societs in such a fashom as to secure the necessful excellention of all those works which tend to improve the lot of its members either morally or observable.

Such will be the task of the new government, where capacity will replace power and direction will take the place of command. Applying listell to the execution of those tasks upon which there is complete unanimity, most of them requiring some degree of deliberation and yet promptness of action, it will gradually transform the character of politics by concentrating attention upon matters affecting life or wellbring—the only things it need ever concern usef with.

in order to make his meaning clearer, Saint-Simon proposes to confine the executive power to a Chamber of Deputies recruited from the representatives of commerce, industry, manufacture, and agriculture. These would be charged with the final acceptance or refusal of the legislative proposals submitted to them by the other two Chambers, composed exclusively of saxonix, artists, and engineers. The sole con-

control of all social relations. "Far from admitting that the directive control of Government in social matters ought to be restricted, we believe that it ought to be extended until it includes every fund of social activity. Moreover, we believe that it hould always be exertened, for society to us seems a vertiable bierarchy." (Desired & Jaint-Nime, Experison, Desarront, adost, p. 108, 1275, 1820)

"Under the old regime men were considered inferior to shing," according to 1brochure entitled Des Bandons et als Shamit (1822; Chern below); V. II. p. 41). "The object of the new system will be ne exceed and were thing," (Gara, Vol. N. p. 1). "In the present minimation (Spit: Gara, Vol. V. p. 15)." In the present minimation (Spit: Indust, Garas, Vol. V. p. 15). Logels, in his book written in reply to Eagen Dhirin, makes use of leading and the in speaking of the socialist regime. "When the administration of things and the direction of the processes of production take the place of the governing of present State will not merely be abduhed: it will be dead." (Philaphys, Leanus politics, Scallings, Freed translation by Laulis, p. 356; Paris, 3911.)

Lettres & un Américain, Œurres, Vol. II, p. 189
Des Bourbons et des Stuarts, Œurres choisies, Vol. II, pp. 437-438.
L'Organisatrus, Œurres choisies, Vol. IV, pp. 86 and 150-151.

Lettres à un Américain, Œutres, Vol. IV, pp. 68.

cern of all legislation would, of course, be the development of the country's material wealth.<sup>1</sup>

An economic rather than a political form of government, administring things instead of governing men, with a society modelled on the workshop and a nation transformed into a productive association having as its one object "the increase of positive utility by means of peaceful industry"—such are the ruling enceptions which distinguish Saint-Simon from the Liberals and serve to bring hum into the ranks of the sociality. Edit central clieck will be enthussatically welcomed by the Marxian collectivists, and Engels speaks of it as the most important doctrine which its author ever propounded.) Proudhon accepts it, and as a practical ideal proposa the absorption of government and its total extinction in economic organization. The same idea occurs in Menger's New Susstitibes," and in Sorel's writings, where he speaks of "reorganizing society on the model of a factory."

(It is this novel conception of government that most clearly distinguishes Saint-Simon's industrialism from economic Laberalism.\*)

But, despite the fact that he gave to socialism one of its most fruitful conceptions, we hardly know whether to class Saint-Simon as a socialist or not, especially if we consider that the essence of socialism consists in the abolition of private property. It is true that in one

1 This is not the only plan of government proposed by Saus-Sauon, although it is the one most characterized of hum. It is to be found in L'Oppussion's immediately after the Parable. We have to remember that Saust-Sauon was very housie to a Government of arrans. Power was to be plared in the hands of the industrial factor—the assume west timply to advise. "Should we ever have the maderume to establish a political order in which administration was entrusted to awants we should soon writers the corruption of the scientats, who would readily adopt the vice of the clery and become struct, depused outlinest." (Sprit, dead, Garrar, Vol. Vp. 1612)

and become situit, despotic quibblers." (Sist. indust., Œurrei, Vol. V., p. 161.)

2 Bid., Vol. VI, p. 96.

3 F. Engels, Herra Eugen Dührung: Umusliquag der Wissenschoft, 4th ed., p. 177.

French translation, Paris, 1911, p. 334. The whole of this chanter in Engels's book

is from the pen of Karl Mark.

4 French translation under the title L'Elas socialists, Paris, 1906.

\*Thus is the full text "The object of socialism is to set up a new system of societybased upon the outstone as a model. The rights of the society will be the customary rights of the factory. Not only will socialism stand to kenefit by the extractes of the industrial system which has been built up by capital and since upon the basis of technical development, but it will gain even more from that spirit of cooperands that has long been a finance of leavery life, rheaving our the best energy and the shade of the control of the standard of the standard of the control proceed in an orderly, exonomical fashon, just like a factory." (G. Sorri, Le Syntcolours refulencement, Le Mannesset suitable, Normellar a and 1s, 1902).

Saun-Simon often quotes Say and Smith with dutinct approval. But he charges Say with the separation of politics from economics instead of merging the former in the latter, and with inability to realize to the full extent what he 'dimly saw, as it were, in spite of homself, namely, that political economy is the one true foundation of politics "(Little & do Ambrical, Glewer, Vol. 11, p. 18c.)

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celebrated passage he speaks of the transformation of private property But it is quite an isolated exception. Capital as well as labour, is thought, was entitled to remuneration. The one as well as the oth involved some social outlay. He would probably have been quit content with a nurely governmental reform.

Saint-Simon is classed among the socialists for two reasons: (1) the interest be takes in the condition of the poor, (2) his opinions concerning the necessity for reform ing the institution of private property. But none of the texts that are generally quoted seem to have the significance that is occasionally given them. With regard to the first point, a celebrated passage from the Noweau Christianime is the one usually quoted Society should be organized in such a fashion as to secure the greatest advantage for the greatest number. The object of all us labours and activaties should be the promptest, completest amelioration possible of the moral and physical condition of the most numerous class" (Eures, Vol. VII, pp 108-109) Already in his System industriel Saint-Simon had said that the direct object which he had in view was to better the lot of that class that had no other means of existence than the labour of its own right arm. (Ibid., Vol. VI. p. 81.) But is this not met the old Benthamite formula -the greatest good of the greatest number? Besides, how does Saint-Simon propose to secure all this? 'By giving the workers more power?' Not at all. "The problem of social organization must be solved for the people. The people themselves are passive and listless and must be discounted in any consideration of the question. The best way is to entrust public administration to the care of the industrial chiefs, who will always directly attempt to give the widest possible scope to their undertakings, with the result that their efforts in this direction will lead to the maximum expansion of the amount of work executed by the mass of the people." (Ibid , Vol. VI, pp. 82-83) A Laberal economist would hardly have expressed it otherwise. As to the question of private property, Saint-Simon certainly regarded its transformation as at least possible. This is seen in a number of passages. "Property should be reconstituted and established upon a foundation that might prove more favourable for production," says he in L'Organisateur (Ibid , Vol IV, p. 59) Elsewhere, in

a letter written to the editor of the Journal general de la France, he mentions the fact that he is occupied with the development of the following ideas: (1) That the law establishing the right of private property is the most important of all, seeing that it is the basis of our social edifice; (2) the institution of private property night to be constituted in such a fashion that the possessors may be sumulated to make the best possible use of it. (Ibid., Vol. III., pp. 43-44) In his Lettres d un Américan he gives the following resume of the principles which underlie the work of J. B. Say (an eardental proof of his attachment to the Liberal economists): "The production of mehil objects as the only positive, reasonable aim which political societies can propose for themselves, and consequently the principle of respect for production and productes is a much more fruitful one than the other principle of respect for property and proprietors." (Ibid., Vol. II, pp. 186-187.) But all that this seems to us to imply is that the utility of property constitutes its legality and that it should be organized with a view to social utility. Admitting that he did conceive of the necessity of a reform of property, it does not appear that he intended this to mean anything beyond a reform of landed property. We have already seen how he regarded capital as a kind of social outlay which demanded remuneration. The following passage bear eliquent testimony to his respect for movable property: "Wealth, generally speaking, affords a proof of the manufacturers' ability even where that wealth is derived from inherited fortune, whereas in the other classes of society it is apparently true to any that the richer are inferior in capacity to those who have received less education but have a smaller fortune. This is a truth that must play an important part in positive politics." (Syst. indust., Œurret, Vol. V. p. 49, pote.)

It would not be difficult, however, to take the ideal of industrialism as outlined by Saint-Simon as the basis of a demand for a much more radical reform and a much more violent attack upon society. Such was the task which the Saint-Simonians took upon themselves, and our task now is to show how collectivism was gradually evolved out of industrialism.  $\omega^2$  1/3.

# II: THE SAINT-SIMONIANS AND THEIR CRITICISM OF

Saint-Simon's works were scarcely ever read. His influence was essentially personal, and the task of spreading a knowledge of his ideas devolved upon a number of talented disciples whom he had succeeded in gathering round him. Augustin Thierry, who was his secretary from 1814 to 1817, became his adopted son. Auguste Comte, who occupied a similar post, was a collaborator in all his publications between 1817 and 1824. Olinde Rodrioues and his brother Eugene were both among his earliest disciples. Enfantin, an old student of the Polytechnic, and Bazard, an old Carbonaro who had grown weary of political experiments, were also of the number. Soon after the death of Saint-Simon his following founded a journal called Le Producteur with a view to popularizing his ideas. Most of the articles on economics were contributed by Enfantin. The paper lasted only for one year, although the number of converts to the new doctrine was rapidly increasing. All of them were persuaded that Saint-Simon's ideas furnished the basis of a really modern faith which would at once supplant both decadent Catholicism and political Liberalism, the latter of which, in their opinion, was a purely negative doctrine.

In order to strengthen the intellectual test which already united them, this band of enthusiats set up among themselves a sort of hierarchy having at its summit a kind of college or institution composed of the more representative members of the group, upon whom the title "fathers" was betrowed. The next lower grade was composed of "sons," who were to regard one another as "brothers." It was in 1828, under the influence of Eugline Rodrigues, that the Saint-Simonians assumed this character of an organized sect. About the same time Bazard, one of their number, was giving an exposition of the creed in a series of popular lectures. These lectures, delivered during the years 169-89, and literated to by many men who were afterwards to play an important part in the history of France, such as Ferdinand de Leseps, A. Carrel, H. Carnot, the brothers Péreire, and Michel Chevaller, were published in two volumes under the title Expession

de la Dottrine de Saint-Sienen. The second volume is more particular, concerned with philosophy and ethics. The first includes the soci-doctrine of the school, and according to Menger forms one of the most

important expenitions of modern socialism.

Unfortunately, under the influence of Enfantin the philosophica and mystical element gained the upper hand and led to the downfal of the school.

on the Keidel.

The Saint-Simonians considered that it was not enough to take modern humanity into its confidence and reveal to it its social desiry. It must be taught to love and desire that destiny with all the ardout of romantic youth. For the accomplishment of this end there must exist a unity of action and thought such as a common religious conviction alone can confer. And so Saint-Simoniam became a religion, a cult with a moral code of its own, with meetings organized and churchs founded in different parts of the country, and with apoules ready to carry the good tidings to distant lands. A striking phenomenon nurely, and worthy the fullest study. It was a genuine burst of religious tenhusiam among men opposed to established religion but prosested of fine scientific culture—the majority of whom, however, as it turned out, were better equipped for business than for the propagation of a new googel.

new gospet. Enfantin and Bazard were to be the popes of this new Catholicism. But Bazard soon retired and Enfantin became "supreme Father." He withdrew, with forty of the disciples, into a house at Mfailmontant, where they lived a kind of conventual hie from April to December 1831. Meanwhile the other propagandists were as active as ever, the work being now carried on in the columns of Le (bles, which became the property of the school in July 1831. This strange experiment was cut short by judicial proceedings, which resulted in a year's imprisonment for Enfantin, Duverger, and Michel Chevalier, all of whom were found guilty of forming an illegal association. This was the signal for dispersion.

The last phase was the most extravagant in the whole history of the school, and naturally it was the phase that attracted most attention. The simple social doctrine of Saint-Simon was overwhelmed by the new religion of the Saint-Simonians, much as the Tositivist religion for

<sup>&</sup>lt;sup>1</sup>The exact title is Durbius de Suiet-Simon, Expenition, Permière Année, 1899. Du quotations are taken from the second edition (Paris, 1899). One ought to mention in addition to these, the articles contributed by Endantia to Le Globe and repubbled in addition to the expense and repubbled nunder the title of Economic politique at Palinque, in one volume (and ed., 1893). But under the title of Economic politique at Palinque, in one volume (and ed., 1893), but none of these articles is a interesting as the Durbius and they only reproduct the kinds after addy discussed by Enlandin in his articles in Le Produtter. A new cities of the Durbius was published in 1944 by Rivière, delired by Rougle and like Halbery.

a while succeeded in eclipsing the Positive philosophy. Our concern, of course, is chiefly with the social doctrine as expounded in the first volume of the Exposition. That doctrine is sufficiently new to be regarded as an original development and not merely as a risume of Saint-Simon's ideas. Both Bazard and Enfantin had some hand in it. But it is almost certain that it was the latter who surplied the conomic

regarded as an original development and not merely as a résumé of Saint-Simon's ideas. Both Bazard and Enfantin had some hand in it. But it is almost certain that it was the latter who supplied the conomic ideas,<sup>3</sup> and that to the formation of those ideas Susmondi's work contributed not a lattle. The work is quite as remarkable for the vigorous logical presentation of the doctrine as it is for the originality of its ideas. The oblivion into which it has fallen is not easily explicable, especially if we compare it with the many mediorer productions that have somehow managed to survive. There are not wanting signs of a revived latterest in the doctrines, and for our own part we are inclined to give them a very high place among the economic writims of the

century.

The Doctrine de Saint-Simon resolves itself into an elaborate criticism of private monetty.

or private property.

(The criticism is directed from two points of view—that of dutribution and that of the production of wealth, that of justice and that of utility. The attack is carried on from both sides at once, and most of the arguments used during the course of the century are here hurled indistribution against the institution of private property. The doc-

indiscriminately against the institution of private property. The doctrines of Saint-Simon contributed not a little to the success of the campaign.

(a) Saint-Simon had already emphasized the impossibility of workers

(a) Saint-Simon had already emphasized the impossibility of workers and idlers occeiting in the new society. Industrialism could hold out no promise for the second class. Ability and labour only had any claim to remuneration. By some peculiar misconception, however, Saint-Simon had regarded capital as involving some degree of personal sacrifice which entitled it to special remuneration. It was here that the Saint-Simonians intervened. Was it not perfectly obvious that 1 Despite the fact that the end expedition of the destrue was the work of Bazard.

1) Despite the fact that the eral exposition of the decture was the votal as Italian and was prepared for the press by his descipies—Hippolyte Carnot among otherward and was prepared for the press by his descipies—Hippolyte Carnot among otherward and the second of the control of the control

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private property in capital was the worst of all privileges? The Revolution had swept away caste distinctions and suppressed the right of primogeniture, which tended to perpetuate inequality among members of the same family, but had failed to touch individual property and its privilege of "laying a toll upon the industry of others." This right of levying a tax is the fundamental idea in all their definitions of private property. (Property, according to the generally accepted meaning of the term to-day, consists of wealth which is not destined to be immediately consumed, but which entitles its owner to a revenue.) Within this category are included the two agents of production, land and capital. These are primarily instruments of production, whatever else they may be. Property-owners and capitalists-two classes that need not be distinguished for our present purpose-have the control of these instruments. Their function is to distribute them among the workers. The distribution takes place through a series of operations which give rise to the economic phenomena of interest and rent. Consequently the worker, because of this concentration of property in the hands of a few individuals, is forced to share the fruits of his labour. Such an obligation is nothing short of the exploitation of man by another, an exploitation all the more odious because privileges are carefully preserved for one section of the commun Thanks to the laws of inheritance, exploiter and exploited never se to change places.

To the retort that proprietors and capitalists are not necessar idle-that many of them, in fact, work hard in order to increase th incomes-the Saint-Simonians reply that all this is beside the pol A certain portion of the income may possibly result from person effort, but whatever they receive either as capitalists or propriete can obviously only come from the labour of others, and that clearly exploitation. It is not the first time we have encountered this word 'exploitation We are reminded of the fact that Sismondi made use of it,4 and t

same term will again meet us in the writings of Marx and other None of them, however, uses it in quite the same sense, and it mig be useful to distinguish here between the various meanings of a ter which plays such an important role in socialist literature and which leads to so much confusion.

Sismondi, we know, regarded interest as the legitimate income capital, but at the same time admitted that the worker may b exploited

<sup>14.9 45</sup> 1 Bal . p. 190. Durtree de Sant-Sant, p. 181. Surround's term was rather 'spoliation,' See sure, p. 198

Such exploitation, he thought, took place whenever the wages were barely sufficient to keep the wage-carner alive, although at the same time the master might be living in luxurious ease. In other words, there is exploitation whenever the worker gets less than a 'just' wage. It is merely a temporary defect and not an ineradicable disease of the conomic system. It certainly does occur occasionally, although there is no reason why it ever should, and it may be removed without bringing the whole system to ruin. Conceived of in this vague fashion, what is known as exploitation is a difficult to define as the 'just price' itself. It appears under several aspects, and is by no means peculiar to the master-servant relation. An individual is exploited whenever advantage is taken of his ignorance or timidity, his weakness or isolation, to force him to part with his goods or his services at less than the 'just price' or to pay more for the goods or services of others than they are really worth.

The Saint-Simonians, on the other hand, considered that exploitation was an organic defect of our social order. It is inherent in private property, of which it is an invariable concomitant. It is not simply an incidental abuse, but the most characteristic trait of the whole system, for the fundamental attribute of all property is just this right to enjoy the fruits of labour without having to undergo the irksome task of producing. Such exploitation is not confined to manual labourers; it applies to every one who has to pay a tribute to the proprietor. The enterprenar, in his turn, becomes a victim because of the interest which he pays to the capitalist, who supplies him with the funds which he percht.

The autopuran's profit, on the other hand, is not the result of exploitation. It represents payment for the work of direction. The master may doubtless abuse his position and reduce the wages of the workers excessively. The Saint-Simonians would then agree with Samondin calling this exploitation. But this is not a necessity of the system. And the Saint-Simonians look forward to a future state of society in which exceptional capacity will always be able to enjoy exceptional reward \*\This is one of the most interesting elements in their theory.

<sup>1. &</sup>quot;The mass of workers are to-day exploited by those people whose property they use. Captains of industry in their dealings with propostors have to submit to a similar kind of treatment, only to a much less degree. But they excessionally share in the privilege of the exploiters, for the full burden of exploitation fall upon the working classes—that is, upon the wast majority of markinds." (Destrise & canal-fosses, p. 195)

I "It is our belief that profits diminish while wages increase; but the term 'wages' as we use it includes the profits that accrue to the entripresses, whose earnings we regard as the price of his labour." (Le Productor, Vol. I, p. 245. The article is by Enfantin.)

Marx conceives of exploitation as an organic vice inherent in capitalism. But with him the term has quite a different connotation from that given it by the Saint-Simonians. Following the lead of certain English socialists, Marx comes to the conclusion that the origin exploitation must be sought in the present method of exchanging wealth. Labour, in his opinion, is the source of all value, and consequently interest and profit must be of the nature of theft. The extractor's recovery is course in units at the cariolistic's or landord's!

This last theory, with its wholesale condemnation of income of every kind save the worker's wage, seems much more logical than any of the others. But as a matter of fact it is much more open to criticism. If it can be demonstrated that the value of products is not the mer result of manual labour, then Marr's idea falls to the ground. The Saint-Simonians were never embarrassed by any theory of value. Their whole contention rests upon the distinction between the ine—which is got form labour and the revenue which is directly of the distinction of that the litegitimacy of all revenue not derived from labour and drawn from the premises thus stated. Some basis other than lab must be discovered if this revenue not derived from labour can drawn from the premises thus stated. Some basis other than lab must be discovered if this revenue is ever to be justified, and a r

defence of private property must somehow be attempted.

The exigencies of production itself may supply such justification private property and the special kind of revenue which is deriform its possession justifies itself, in the opinion of a growing num of economists, on account of the stimulus is affords to production a the accumulation of wealth. This seems the most advantageous method defence, and it is one of the grounds chosen by the Physiocratis.

But the Saint-Simonians from the very first set this argument as and attacked the institution of private property in the interest social utility no less than in the interest of justice. Production as w as distribution, in their opinion, demanded its extinction.

<sup>&</sup>lt;sup>1</sup>We might sum up the different senses of the word "exploitation" as und Sismondi, the Saint-Sumonuans, and Marx respectively as follow:

Simmondi, the Saint-Simonians, and Marx respectively as follows:

(1) Simondi thinks that the worker is exploited whenever he is not paid a was sufficient to enable him to lead a decent existence. Unearned income seems que

legitimate, however.

(2) Exploitation exists, in the opinion of the Saint-Simonians, whenever a part
(2) Exploitation exists, in the opinion of the Saint-Simonians, whenever a part
the material produce raised by labour is devoted to the remuneration of proposes
through the operation of ordinary social factors.

<sup>(3)</sup> Mars speaks of exploitation whenever a portion of the produce of labors devoted to the remuneration of capital either through the existence of social institutions or the operation of the laws of exchange

<sup>1</sup> Sec p. 41.

(b) This brings us to the second point, which Saint-Simon did little more than suggest, namely, whether the institution of private property as at present existing is in the best interests of producers. The Saint-Simonians hold that it clearly is not, so long as the present method of distributing the instruments of production continues.) At the present moment capital is transmitted in accordance with the laws of inheritance. Individuals chosen by the accident of birth are its depositors. and they are charged with the most difficult of all tasks, namely, the best utilization of the agents of production. Social interest demands that they should be placed in more capable hands and distributed in those places and among those industries in which the need for those particular instruments is most keenly felt, without any fear of a scarcity in one place or a glut in another.1 < To-day it is a blind chance that picks out the men destined to carry out this infinitely difficult task. And all the efforts of the Saint-Simonians are concentrated just on this one point-inheritance

Their indignation is easily explained. There is certainly something paradoxical in the fact to which they draw attention. If we accept Smith's view, that government "is in reality instituted for the defence of those who have some property against those who have none at all real explaints of the function of governments—inheritance is simply inevitable. On the other hand, if we put ourselves at the point of view of the Saint-Simonians, who lived in an industrial society where wealth was regarded, not as an end, but as a means, not merely as a source of individual income, but as the instrument of social production, it seems utterly wrong that it should be left at the disposal of the first conter. The practice of inheritance can only be justified on the ground that it provides a stimulus to the further accumulation of wealth, or that in default of a truly rational system the chances of birth are not much more open to criticism than any other.

Such scepticism was little to the taste of the Saint-Simonians. But they were firmly convinced that all the disorders of production, whether apparent or real, were due to the dispersion of property according to the chances of life and death.

Each individual devotes all his attention to his own immediate dependants. No general view of production is ever taken. There is no discriment and no exercise of foresight. Capital is wanting here and executive there. This want of a bread view of the needs of consumers and of the resources of production is the cause of those industrial crises whose origin has given tise to so much feutiles

<sup>1</sup> Dectries, p. 191.

<sup>9</sup> See p. 95, 2014.

speculation and so many errors which are still circulating in our midst. In this important branch of social activity, where so much disturbance and such frequent disorder manifests itself, we see the evil result of allowing the distribution of the instruments of production to be in the hands of isolated individuals who are at once ignorant of the demands of industry, of other men's needs, and of the means that would satisfy them. This and nothing else is the cause of the suil 1

Escape from such economic anarchy, which has been so frequently described, can only become possible through collectivism-at least, so the Saint-Simonians thought.2 The State is to become the sole inheritor of all forms of wealth. Once in possession of the instruments of production, it can distribute them in the way it thinks best for the general interest. Government is conceived on the model of a great central bank where all the wealth of the country will be deposited and again distributed through its numerous branches. The uttermost ends of the kingdom will be made fertile, and the necessaries of life will be supplied to all who dwell therein. The best of the citizens will be put to work at tasks that will call forth their utmost efforts, and their pay will be as their toil. This social institution would be invested with al the powers which are so blindly wielded by individuals at the present moment 3

We need not insist too much on this project or press for further details, which the Saint-Simonians would have some difficulty in supplying.

Who, for example, is to undertake the formidable task of judging of the capacity of the workmen or of paying for their work? They are to be the "generals"-the superiors who are to be set free from the

<sup>1</sup> Dectrine, pp. 191-192.

The Saint-Simonians never make use of the term, but they describe the doctrine admirably.

<sup>3 &</sup>quot;We may provisionally speak of this system as a general system of banking, ignoring for the time being the somewhat narrow interpretation usually placed upon that word. In the first place, the system would comprise a central bank, which would directly represent the Government. This bank would be the depository for every kind of wealth, of all funds for productive purposes and all instruments of labourin a word, it would include everything that is to-day comprised within the term 'private property.' Depending upon this central bank would be other banks of a secondary character, which would be, as it were, a prolongation of the former and would supply it with the means of coming into touch with the principal localities, informing the central institution as to their particular needs and their productive ability. Within the area circumscribed for these banks would be other banks of a more specialized character still, covering a less extensive field and including within their (3) which the tenderer branches of the industrial tree. All wants would be faulty devoted we central bank and all effort would radiate from it." (Decries, pp. actcurrence we central bank and all effort would radiate from it." [Durins, pp. 407] agricus or the via probably Enfanton's, for there is an exposition of the same what is La Product p. 43 %. III, p. 385.

ammels of specialization and whose instinctive feelings will naturally rge them to think only of the general interest. The chief will be he hows the greatest concern about the social destiny of the comnumity. It is not very reassuring, especially when we remember that wen with the greatest men there is occasionally a regrettable confusion femeral and orbivate interests.

But admitting the incomparable superiority of the "generals," what fo beying them? Will the inferiors take kindly to submission or will hey have to be forced to it? The first alternative was the one which hey seemed to favour, for the new religion, "Saint-Simonism," would laways be at hand to inspire devotion and to deepen the respect of the inferiors for their betters. One is tempted to ask what would become of the heretics if ever three hancened to be any.

Further criticism of this kind can serve no useful purpose, and it upplies to every collective system, differing only in matters of detail Whenever it is proposed to set up an elaborate plan of economic activity, directed and controlled by some central authority, with a divine to upplanting the present system of individual initiative and social apontaneity, we are met at the threshold with the difficulty of setting up a new code of morality. Intend of the human heart with its many mixed motives, its insubordination and weaknesses, in place of the human mind with all its fallings, ignorance, and error, are to be substituted a heart and mind altogether ideal, which only serve to remind us how far removed they are from anything we have ever known. The Saint-Simonians recognized that a change so fundamental could only be accomplished through the instrumentality of religion. In doing this they have shown an amount of foresight which is rare among the critics who treat their ideas with such disadish to a continuous contracts their ideas with such disadish.

(It is more important that we should insist upon another fact, namely, that the Saint-Simonian system is the prototype of all the collectivist schemes that were proposed in the course of the century.)

The whole scheme is very carefully thought out, and rest upon that penetrative criticism of private property which differentiates it from other social Utopias. 'The only equality which the Saint-Simonians demanded was what we call equality of opportunity—an equal

<sup>&</sup>lt;sup>3</sup> Darbin, p. 210, note. Elsewhere (p. 530): "We are weary of every political principle that does not aim directly at putting the destiny of the people in the hands of the most sible and devoid among them,"

a "We came have we want among the min of the press wither, so frequently misconceived, not to any misconceived, not to any misconceived, as the present turne—that struce which as so rany and so delight-ful in protess the have a common a tim which they want to attain, but which as to painful and twoling when combined with epound. This surface of obedience is one to which our thoughts return ever with lowe." (May p. 9, 30.)

chance and the same starting-point for every one Beyond that there is to be inequality in the interests of social production itself. To each according to his capacity, and to every capacity according to the work which it has accomplished - such is the rule of the new society.1

An interesting résumé of the Saint-Simonians' programme, given in a series of striking formulæ which they addressed to the President of the Chamber of Deputies.2 is worth quoting:

The Saint-Simonians do not advocate community of goods for , such community would be a manifest violation of the first moral law. which they have always been anxious to uphold, and which demands that in future every one shall occupy a situation becoming his capacity and be paid according to his labour.

In view of this law they demand the abolition of all privileges of birth without a single exception, together with the complete extinction of the right of inheritance, which is to-day the greatest of all privileges and includes every other. The sole effect of this system is to leave the distribution of social advantages to a chance few who are able to lay some pretence to it, and to condemn the numerically

superior class to deprivation, ignorance, and misery, They ask that all the instruments of production, all lands and capital, the funds now divided among individual proprietors, should be pooled so as to form one central social fund, which shall be employed by associations of persons hierarchically arranged so that each one's task shall be an expression of his capacity and his wealth a measure of his labour.

The Saint-Simonians are opposed to the institution of private property simply because it inculcates habits of idleness and fosters a practice of living upon the labour of others.

(c) Critics of private property, generally speaking, are not content with its condemnation merely from the point of view either of distribution or production. They almost invariably employ a third method of attack, which might be called the historical argument. The argument generally takes the form of a demonstration of the path which the gradual evolution of the institution of private property has hitherto followed, coupled with an attempt to show that its further transformation along the lines which they advocate is simply the logical outcome of that process. The argument has not been neglected by the Saint-Simoniane

The history of this kind of demonstration is exceedingly interesting,

Published as an appendix to the second edition of the Doctrine de Sand-San

Espesition, Premiere Annie, 1829.

The formula in the third edition of the Doctrine is a little different. "Each one," t fruns there, "ought to be endowed according to his merits and rewarded according to his work." We know that the first part of the formula refers to the dutribution of capital-ie, to the instruments of labour-while the second refets to individual me comes. The word 'classed' was substituted for 'endowed' in the second edition.

d the role it has played in literature other than that of a socialist mplexion is of considerable importance. Reformers of every type, ether the immediate objective be a transformation of private operty or not, invariably base their appeals upon a philosophy of

Marx's system is really a philosophy of history in which communism set forth as the necessary consummation of all industrial evolution.) fany modern socialists, although rejecting the Marxian socialism. ill appeal to history. M. Vandervelde builds his faith upon it.1 So Mr and Mrs Sidney Webb and all the Fabian Socialists. Dupont-White's State Socialism is inspired by similar ideas, and so is the ocialism of M. Wagner. Friedrich List has a way of his own with istory; and the earliest ambition of the Historical school was to transorm political economy into a kind of philosophy of history. If we urn to the realm of philosophy itself we find somewhat similar coneptions-the best-known, perhaps, being Comte's theory of the three states, which was borrowed directly from Saint-Simon.

This is not the place to discuss historical parallels. The point will come up in a later chapter in connexion with the Historical school. What we would remark here is the good use which the Saint-Simonians made of the argument. All the past history of property was patiently ransacked, and the arguments of other writers who have extolled the merits of collectivism were thus effectually forestalled.

"The general opinion seems to be," says the Doctring de Saint-Simon."

that whatever revolutions may take place in society, this institution of private property must for ever remain sacred and inviolable: it alone is from eternity unto eternity. In reality nothing could be less correct. Property is a social fact which, along with other social facts, must submit to the laws of progress. Accordingly it may be extended, curtailed, or regulated in various ways at different times

This principle, once it was formulated, has never failed in winning the allegiance of every reformer. Forty years later the Belgian economist

In his small volume Le Collecturme (Paris, 1900).

3 Littré has disputed Comte's indebtedness to Saint-Simon in his Augusts Comte et le l'ontroisse. Saint-Simon, however, in his preface to Système industriel remarks that in political matters the jurists form a connecting link between foudal government on the one hand and industrial government on the other, just as the metaphysicians are intermediate between the theological and the scientific regimes. In a note which he adds he states his position still more clearly (Euross, Vol. V, p. 9). It is true that the Systime industried dates from 1821, and is consequently subsequent to the beginning of the friendly relations between Comte and Saint-Simon. But textual evidence. however precise, cannot decide the question of the reciprocal influence which these two Mexicals exercised upon one another. A similar idea had already found expression in Turgor's work.

\* P 179.

Laveleye, who has probably made the most thoroughly scientific study of the question, used almost identical words in summing up his inquiry into the principal forms of property.

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The Saint-Simonians feel confident that a glance at the progress of this evolution is enough to convince anyone that it must have followed the lines which they have indicated. The conception of property was at first broad enough to include men within its connotation. But the right of a master over his slaves gradually underwent a transformation which restricted its exercise, and finally eaused its disappearance altogether. Reduced to the right of owning things, this right of possession was at first transmissible simply according to the proprietor's will. But the legislature intervened long ago, and the eldest son is now the sole inheritor. The French Revolution enforced equal distribution of property between all children, and so spread out the benefits which the possession of the instruments of production confers. To-day the downward trend of the rate of interest is slowly reducing the advantages possessed by the owners of property, and goes a long way towards securing to each worker a growing share of his product There remains one last step which the Saint-Simonians advoc which would secure to all workers an equal right to the employm of the instruments of production. This reform would consist in mak everybody a proprietor, but the State the sole inheritor. "The of progress as we have outlined it would tend to establish an order things in which the State, and not the family, would inherit all accum lated wealth and every other form of what economists call the fu of production."3

These facts might be employed to support a conclusion of an entin different character. That equality of inheritance which was preser rather than created by the French Revolution might be taken as proof that modern societies are tending to multiply the number individual proprietors by dividing the land between an increasin number of its citizens. But such discussion does not belong to a wo

<sup>1&</sup>quot; Another mutake that is also very general is to speak of property as if it were institution with a fixed, unchangeable form, while as a matter of fart it has assume various aspects and is still capable of further modification as yet undersant of (Laveleye, D to Projectit et de ser Formes premittee, 1st ed., 1941; 5 24.) Susart Min as letter addressed to Laveleye on November 17, 1879, congranulated him on the contraction of the contraction of

demonstration he had given of this. (Ibid., preface, p. xiii.)

Note this argument, which has so frequently been employed by Liberal econists, and which we shall come across in Bastiat's work. The Saint-Sunonians &

constantly running with the hare as well as hunting with the hounds.

\* Detrine, p. 182. The historical argument of which we have just given a shot summary is developed in the Doctrine, pp. 179-193. It is open to a still more funds mental criticism, inasmuch as it does not seem to be historically accurate.

of this kind We are entitled to say, however, that the Saint-Simonian theory is a kind of prologue to all those doctrines that ransack the pages of history for arguments in favour of the transformation, or even the suppression, of private property.

Here again the Saint-Simonians have merely elaborated a view which their master had only casually outlined. Saint-Simon also believed that in history we have an instrument of scientific precision equal to the best that has yet been devised.

Saint-Simon, who owes something in this matter to Condorcet, regarded mankind as a living being having its periods of infancy and youth, of middle and old age, just like the individuals who compose it. Epochs of intellectual ferment in the history of the race are exactly paralleled by the dawning of intellectual interests in the individual, and the one may be foretold as well as the other. "The future," says Saint-Simon, "is just the last term of a series the first term of which lies somewhere in the past. When we have carefully studied the first terms of the series it queht not to be difficult to tell what follows. Careful observation of the past should supply the clue to the future." It was while in pursuit of this object that Saint-Simon stumbled across the term 'industrialism' as one that seemed to him to express the end towards which the secular march of mankind appeared to lead. From family to city, from city to nation, from nation to international federation-such is the sequence which helps us to visualize the final term of the series, which will be some kind of "a universal association in which all men, whatever other relations they may possess, will be united."2 In a similar fashion the Saint-Simonians interpret the history of individual property and predict its total abolition through a process of its gradual extension to all individuals combined with the extinction of private inheritance.

(The doctrine of the Saint-Simonians may well be regarded as a kind of philosophy of history. 2 Contemplation of the system fills them with an extraordinary confidence in the realization of their dreams, to which they look forward not merely with confidence, but with feelings

Detro, p 144

<sup>1</sup> Saint-Simon, Minute introduct f nor sa Contestation area Al de Redore (1812) (Eurres, Vol 1, p 1221

<sup>\*</sup> The philosophy of history might be said to consist of attempts to show that history is made up of altrinating periods of organic growth and destructive criticism. The former periods are marked by unity of thought and aim, of feeling and action in sorset), the latter by a conflict of ideas and sentiments, by political and social instabeliev. The former persons are resentially religious, the latter selfish. Reform and revolution are the modern manifestations of the critical nature of the presed in which we live Saint-Summoun would lead us into a definitely organic speech. Historical Production areas to point to a religious and universal association.

of absolute certainty. "Our predictions have the same origins and are based upon the same hind of foundations as are common to all scientific discoveries." They look upon themselves as the conscious, voluntary agents of that inevitable evolution which has been foretold and defined by Saint-Simon. This is one trait which their system has in common with that of Marx. But there are two important difference. The Marxiant relied upon revolution consummating what evolution had begun, while the Saint-Simonians relied upon moral perusaion.) The Saint-Simonians, true children of the eighteenth century that they were, believed that ideas and doctrines were sufficiently powerful agents of social transformation, while the Marxians preferred to put their hope in the material forces of production, ideas, in their opinion, being nothing better than a pale reflection of such forces.

# III: THE IMPORTANCE OF SAINT-SIMONISM IN

The doctrine of the Saint-Simonians consists of a curious mixturealism and Utopianism. Their socialism, which make it saged the cultured classes rather than to the masses, is impired, not by knowledge of working-class life, but y close observation and remained intuition concerning the great economic currents of their time.

The dispersion of the school gave the leaders an opportunity

<sup>1</sup> Doctrine, p. 119.

<sup>2</sup> bid., p. 12t. "Man is not without some intalive knowledge of his denimy, when telence has proved the correctness of his unwise and demonstrated the accur of his forecasts, when it has assured him of the legitimacy of his desires, he will set on with all the greater assurance and calmness towards a future that is no his unknown to him. Thus will he become a fire, intelligent sgerit working it unknown to him. Thus will he become a fire, intelligent sgerit working to his own diefficient of the condensate of the condensate of the his condition.

<sup>3</sup> This is developed at great length in the seventh lecture, Doctries, pp. 211 at seq. Dolitics," says Saint-Simon, "have their roots in morality, and a people's inut tions are just the expression of their thoughts." (Œures, Vol. III, p. 31.) "Phil sophy," he remarks elsewhere, "is responsible for the creation of all the more in portant political institutions. No other power would have the strength necessary check the action of those that have already become antiquated or to set up other more in conformity with a new doctrine," (Syst. indust., Œures, Vol. V, p. 167 He further insists upon the part which philanthropists may play in the creation of new society. "One truth," he writes, "that has been established in the course ( human progress is this a disinterested desire for the general well-being of the com munity is a more effective instrument of political improvement than the consciou self-regarding action of the classes for which these changes will prove most beneficial In a word, experience seems to show that those who should naturally be most in terested in the establishment of a new order of things are not those who show the greatest desire to bring it about." (Guerts, Vol. VI, p. 120.) It would be difficult to imagine a neater refutation of Marxian ideas, especially the contention that the emancipation of the workers can only come from the workers themselves.

taking an active part in the economic administration of their own country, and we find them throwing themselves whole-heartedly invarious schemes of a financial or industrial character. In 1869 the brothers Péreire founded a credit association which became the prototype of the financial institutions of to-day. Enfantin took a part in the founding of the P.L.M. Railway, which involved an amalgamation of the Paris-Lyons, Lyons-Avignon, and Avignon-Marseillis lines. Enfantin was also the first to finat a company for the purpose of making a canal across the isthmus of Sucz. At the Collège de France Michel Chevalier defended the action of the State in undertaking certain works of a public character. It was he also who negotiated the treaty of 1860 with England, which was the means of inaugurating the era of commercial liberty for France. Other examples might be cited to show the important part which the Saint-Simonians played in nine-teenth-entury economic history.<sup>1</sup>

More especially did they realize the enormous place which banks and institutions of a similar nature were bound to have in modern industrial organization. And whatever views we may hold as to the rights of property, we are bound to recognize how these deposit banks have already become great reservoirs of capital from which credit is distributed in a thousand ways throughout the whole realm of industry, some writers, all of them by no means of the socialist way of thinking, would reproach the banks, especially in France, with their lack of courage in regulating and stimulating industry, which, as the Saint-Simonians foreaw, is a legitimate part of their duty. The important part which they saw international financiers playing in the domestic affairs of almost every European nation during the Restoration period, coupled with their personal knowledge of bankers, nelped the Saint-Simonians in anticipating the all-important role which credit was to play is modern industry.

Equally remarkable was the foresight they displayed in demanding a more rigorous control of production, and in emphasizing the need for some better method of adapting that production to meet the religencies of demand than is possible under a competitive system. The State obslously has neither the ability nor the inclination to discharge such functions, but so great are the inconveniences of competition

<sup>&</sup>lt;sup>1</sup> Q'. on those points Well, L'École Sans-Sansoiene (1806), and Charlety, Histoire de Sans-Sansonime (1846).

<sup>3&</sup>quot; The object of credit," says Enfantin (Ensemis politique et Palingue, p. 53), "in a soviety where one set of people passess the instruments of preduction but lack tapacity or don't to employ them, and where another have the draite to work but the without the meant, is to help the passage of these instruments from the Everner's Prosession into the hands of the latter." No better definition was ever given.

conceptions of distribution have given rise to two different problems the one primarily economic, the other social, and sufficient care has not always been taken to distinguish between these two current, which have managed to coexist, much to the confusion of social thinking in the nineteenth resultury.

Another essential difference between their respective points of view consists of the different manner in which economists and socialists conceive of the opposition that exists between the general interest and the interests of individuals.

Classical writers envisaged it as a conflict between the interests of consumers—i.e., everybody—and the interests of producers, which are more or less the interests of a particular class.

The Saint-Simonians, on the other hand—and in this matter their their things of the start of the

pointed out some of the errors in the classification adopted by mo present-day economists. The antithesis between producer and con sumer gives a very inadequate idea of the magnitude of the gap th lies between the various members of society, and a better different iton would be that which would treat them as workers and idlers!

The difference in the point of view naturally results in an entirely different conception of social organization. Economists think this society ought to be organized from the point of view of the consumer and that the general interest is fully realized when the consumer is statistical Socialists, on the contrary, believe that society should be organized from the standpoint of the worker, and that the general interest is only fully achieved when the workers draw their full share of the social product, which is as great as it possibly can be.

There is one last element of difference which is very important.

4 Le Podatere, Vol. III. p. 45; — In the Podatere, Vol. III. p. 45; — In the preface or Lommus palanya at Palanya Enfanna again writer. "All gentions of political economy should be linked together by a common principle, and in soft to pudge of the notical buthly of a measure is fall in common in a student soft with the property of the property of the property of the property of the subsection of the property of the property of the subsection of the property of the proper

Classical writers made an attempt to reduce the apparent disorder of individual action within the compass of a few scientific laws. By the time the task was rompleted so struck were they with the profound harmony which they thought they had discovered that they renounced all attemps at amelioration. They were so satisfied with the demonstration which they had given of the way in which a spontaneous social force, such as competition, for example, tended to limit individual egoinm and to complete the triumph of the general interest that they never thought of inquiring whether the action of these forces might not be rendered a little less harmful or whether the mechanism might not with advantage be lubricated and made to run somewhat more smoothly.

The Saint-Simonians, on the other hand—and in this matter it is mecessary to couple with theirs the name of Simondi—are convinced of the ilowness, the awkwardness, and the cruelty with which spontaneous economic forces often go to work. Consequently they are concreded with the possibility of substituting a more conscious, carefully thought-out effort on the part of society. Instead of a spontaneous reconciliation of conflicting interests they suggest an artificial reconciliation, which they strive with all their might to realize. Hence the innumerable attempts to set up a new mechanism which might take the place of the spontaneous mechanism, and the childsh efforts to co-ordinate or ombine economic forces. These attempts, most of them of necessity unsuccessful, furnished the adversaries of socialism with their best weapons of states. All of them, however, did not prove quite fruitless, and some of them were destined to exercise a notable influence upon social development.

It is in the Saint-Simonian doctrine that we find these contrasts between political economy and socialism definitely marked and in full detail. It matters little to us to-day that the school was ridiculed or that the eccentricities of Enfantin destroyed his propaganda work just when Fourier was pursuing his campaign with great success. Ideas are the things that stand out in a history of doctrines. To us, at any rate, Saint-Simonian appears as the first and most eloquent as well as the most penetrating expression of the sentiments and ideals that implier interenth-ectuary socialism.<sup>3</sup> This accounts for the influence

It is impossible not to make a special neutrino of Anton Memory, excellent little to the Jan Rest affect read of Anton Memory, excellent little in restlent introduction by Professor Forwerl, is unfortunately out of prost). It is neither unfortunately on any history of socialism. We must also memora, with deep acknowledgments, Pareir's Let Systhess needless (Paris, 1900, a vols)—the most originally conference of the professor of

it exerted on some of the most active minds of that period. We no name only Lamennais and Sainte-Beuve, for instance, to show attraction for thinkers of the greatest diversity,1 even when they we disinclined to adhere wholly to its 'doctrine."

### CHAPTER III: THE ASSOCIATIVE SOCIALISTS

(THE name "Associative Socialists" is given to all those writers who believe that voluntary association on the basis of some preconceived plan is sufficient for the solution of all social questions.) Unfortunately the plans vary very considerably, according to the particular system chosen

They differ from the Saint-Simonians, who sought the solution in socialization rather than in association. 2 and thus became the founders of collectivism, which is quite another thing. The advocates of socialization always thought of 'Society' with a capital S, and of all the members of the nation as included in one collective organization The term 'nationalization' much better describes what they soul Associationism, on the other hand, more individualistic in charaand fearing lest the individual should be merged in the mass, wo have him safeguarded by means of small autonomous groups, wh federation would be entirely voluntary, and any unity that mi exist would be prompted from within rather than imposed in without.

On the other hand, the Associationists must be carefully dist guished from the economists of the Liberal school. Fortunately the is not very difficult, for by means of these very associations they clato be able to create a new social milieu. They are as anxious as t Liberals for the free exercise of individual initiative, but they belie that under existing conditions, except in the case of a few privilege

Sainte-Beune wrote to Buchez: "I have felt some sympathy for the movement a whole rather than with its details, though these perhaps are not yet clear in a mind." (Correspondence ginerale de Sainte-Bruce, Vol. III, p. 233, published by Je Bonnerot, Paris, 1939.) For Sainte-Beuve's Saint-Simonian ideas see Maxime Lero;

interesting book La politique de Sainte-Brane (Paris, 1941), pp. 29-115.

3 "Association, which is desired to put an end to antagonism, has not yet foun its true form. Huberto it has consisted of separate groups which have been at wa with one another. Accordingly antagonism has not yet become extinct, but it cer tainly will as soon as association has become universal." (Derive de Saut-Sines

Expantion, Première Annie, D. 177.)

individuals, this very initiative is being smothered. (They believe that liberty and individuality never can expand unless transplanted into a new environment) But this new environment will not come of itself. It must be created, just as the gardener must build a conservatory if he is to secure a requisite environment. Each one has his own particular recipe for this, and none of them is above thinking that his own is the best.\(^1\) It is this conception of an artificial society set up in the midst of present social conditions, bound by strict limitations which to some extent lodate it from its surroundings, that has won for the system its name of Unperion Socialism.

Had the Associationists only declared that the social environment can and ought to be modified, despite the so-called permanent and immutable laws, just as man himself is capable of modification, they would have enunciated an important truth and would have forestalled all those who are to-day seeking a solution of the social question in syndicalism, in co-operation, and in the garden-city ideal.

On the other hand, had they succeeded in carrying out their plans on an extensive scale, if we may judge by the desire to evade them on the part of those experimented on, it seems probable that the new kind of liberty would have proved less welcome than the liberty which is enjoyed under the present constitution of society.

They would have been very indignant, however, if anyone had charged them with desiring to create an artificial society. On the contrary, their claim was that the present social environment is artificial, and that their business was not to create but merely to discover that other environment which is already so wonderfully adapted to the true needs of mankind in virtue of its providential, natural harmony.

At bottom it is the same idea as the 'matural order' of the Physiocrats, much as their conception differs from that, of the Physiocrats, much as their conception differs from that, of the Physiocrats michignal proof that the order is anything but 'matural', seeing that it varies with those who define it. Some of their sayings, however, might very well have been borrowed directly from Quenay or Mercier de la Rivière—for example, that of Owen's in which he speaks of the commune as God's special agent for thringing society into harmony with nature. It is just the "good despet" of the Physicorats over again. Or take Fourier's comparison in which he ranks himself with Newton

<sup>&</sup>lt;sup>1</sup> In Owen's paper, the Enometic, for August 11, 1811, we meet with the following words: "The secret is out! . . . The object sought to be obtained in not qualify in rank or poseumions, is not community of peak, but fall, complete, unrestranced coveration on the part of all the members for every purpose of social life." Fourier of the contraction of the part of all the members for every purpose of social life." Fourier than the contraction of the part of

as the discoverer of the law of "attraction of passion," and believes that his "stroke of genius," as Zola calls it, lies in knowing how to utilize the passions which God has given us to the best advantage.

What is still more interesting is that this newer socialism marks a veritable reaction against the principles of 1789.1 The Revolutionist hated every form of association, and suspected it of being a mere survival of the old regime, a chain to bind the individual. Not only was it omitted from the Declaration of the Rights of Man, t but it was formally prohibited in every province-prohibitions which have been withdrawn only quite recently. It is difficult to imagine a greater contrast to the spirit of the Revolution than the beliefs which inspired Owen, Fourier, and Cabet, the founders of the new order.

But the men of 1789 were not so far wrong, nor were they deceived by their recollections of corporations and guilds, when they expressed the belief that any form of association was really a menace to liberty. There is an old Italian proverb which states that every man who has an associate has also a master. The Liberal school has to a certain extent always shared these apprehensions, and ample justification might be found for them in the many despotic acts of associates, whether

capitalists or workmen. But the 'associative' socialists of the early part of the last cer were impressed, even more than Sismondi and Saint-Simon wert the new phenomenon of competition. The mortal struggle for F among producers and the keen competition for wages among wor men which immediately ensued upon the disappearance of the framework of society seemed to them to wear all the hideousness o apocalyptic beast. With wonderful perspicacity they predicted such breakneck competition must inevitably result in combination outs monopoly.2 Voluntary association of a co-operative character (t paid hardly any attention to the possibilities of corporative associati appeared to supply the only means of suppressing this competit

<sup>1</sup> On the relations of socialism to the French Revolution see the preceding the

on Saint-Simon (p. 212, note), The Declaration of the Rights of Man speaks of liberty, property, resistant

oppression, but there is not a word about the right of association. Trade associat one of the oldest and most democratic forms of association, was proscribed by famous decree of Le Chapelier (1791), and severe penalties were imposed of anociations of more than twenty persons by the Penal Code of 1810. These prob tions were gradually removed in the course of the nineteenth century. Frien societies were the first to be act free, then followed trade unions, but these laws w not definitely repealed until July 1, 1901.

"He is obvious that the present regime of free competition which is supposed to necessary in the interests of our stupid political economy, and which is further tended to keep monopoly in check, must result in the growth of monopoly in alm

every branch of industry." (Victor Considérant, Principes de Socialisme)

## THE ASSOCIATIVE SOCIALISTS

without either endangering liberty or thwarting the legitimate tions of producers. And it is not very clear as yet that the altogether mistaken in their point of view.

The two best known representatives of this school are Rober and Charles Fourier. Although they were contemporaries—t was born in 1791—it does not appear the ever became known to one another. Owen never seems to ha any attention to Fourier's system, and Fourier never refer to "communistic scheme" without showing some trace of bit Indeed, it is doubtful whether he knew anything at all about it from hexars."

Such reciprocal ignorance does little credit to their por observation. Still, it is easily explained. Despite a certain sit in their plans for social receneration-for example, they both to create small autonomous associations, the microcosms which serve as models for the society of the future, or the yeast wh to leaven the lump- and notwithstanding that after their dear were both hailed as the parents of one common offspring, co-op they spent their whole lives in two very different worlds. any rhetorical exacceration and without making any invidious tions we may truthfully say that Owen was a rich, successful facturer and one of the greatest and most influential men of and country, while Fourier was a mere employee in the n industry, or a "shop-sergeant," as he liked to call himself. I Fourier became the recipient of a small annuity; but his rec only spread slowly and with much difficulty among a small friends. Contrary to what might have been expected, the mil manufacturer was the more ardent socialist of the two. A communist and an anti-cleric, he loved polemics, and advanviews both in the Press and on the platform. His humble ri just a grown-up boy with the habits of an old woman. He ever left his house except to listen to a military band; he wro lously, attempting to turn out the same number of paces es and spent most of his life on the look-out for a sleening partne unfortunately, never turned up.

<sup>&</sup>lt;sup>1</sup> Fourier's first book, Les Quetre Monments, was published in 1808, an Le Faure Indutre, in 1836. Owen hearbest work, A New Yore of Security of the Formation of Human Character, was published in 1813, and his last work, ? Rate processed authors frombered, in 1836.

<sup>&</sup>quot;According to details supplied by journaluts, Owen's establishments have at least three serious drawbacks which must inevitably destroy the where the numbers are extrained, equality is one of his ideals, and there is no to agriculture." (Unit suitemails, Vol. II, p. 35)

Seeing that neither his experiments nor his prestige as an emplo were sufficient to influence his fellow employers, he now tried to g the sympathetic attention of the legislature. He turned first of all

the British Government, and then to that of other countries, look to legislation to provide what he believed should have been supply by the goodwill of the ruling classes themselves.

Even before the days of Lord Shaftesbury he had inaugurated campaign in favour of limiting the hours of children working in fa tories. In 1819 the first Factory Art was passed, fixing the minimu age at which children might be employed at nine years, although

Owen himself would have put it at ten. Discouraged by the little support which he obtained for his project and having satisfied himself as to the impotence of both patronage an legislation as forces of social progress, he turned his attention to third possibility, namely, association. Association, he imagined, would create that new environment without which no solution of the social question was ever possible

# THE CREATION OF THE MILIEU

The creation of a social milieu was the one impelling force that inapired all Owen's various experiments. This was his one desire, whe he asked it of the masters, the State, or of the workers themselves He has thus some claim to be regarded as the father of clinby etiology being the title given by sociologists to that part of their s ject which treats of the subordination and adaptation of man to environment. His theory concerning the possibility of transform the organism by influencing its surroundings occupies the same for tion in economics as Lamarck's theory does in biology.) By ram man is neither good nor had. He is just what his environment h made him, and if at the present moment he is on the whole rather be it is simply because his environment is so detestable. Scarcely at stress is laid upon the natural environment which seemed if suc supreme importance to writers like Le Play. Owen's interest will the social environment, the product of education and legislatum or deliberate individual action.1 Change the environment and it

ment do much as remove the mental fration and irritation which also ment whenever the marutament is usually one so keep the healy in full productive offs were as well as to arrest description and to present permature death." 1 Linearin a green & very presented place to Overs's witers, and sace we will

his philosophy we statute agait an important place it was ready board to and Literature was to make more, you as house and cape are made beere it and allogical henge to our purpose it would be interesting to compare his play standal shall said tion of Kamera, as occuped to East

individual would be changed.) He failed to see that this meant begging the whole question. MI man is simply the product of his environment how can he possibly change that environment? At is like saking a man to raise himself by the hair of his heads. But the futility of such criticism will be readily appreciated if we remind ourselves that it is to such insignificant beginnings as these that we owe the conception of the garden city. It was Oven's concern for the worker and his great desire to provide him with a home where some degree of comfort and some measure of beauty might be obtainable that gave the earliest innectus to that movement.

From a moral point of wew this deterministic conception resulted in the absolute denial of all individual responsibility. I Every noble or ignoble deed, every act, whether deserving of praise or blame, of reward or punishment, reflects neither credit nor discredit upon its suthor, for the individual can never be other than he actually is.

There was all the more reason, then, why all religious influence, especially that of Christianity, should be excluded. This contempt for religion explains why Owen found so little support in English society, which revolted against what appeared like cynical atheism, although Owen himself was really a deast \*

Economically, the doctrine of payment according to work rather than capacity was to result in absolute equality. For why should higher intelligence, greater vigour, or capacity for taking pains entitle A man to a greater reward if it is all a question of environment? Hence Owen's associations were to be communal.

We need not here detail the history of his experiments in colonization. It is the usual story of failure and disappointed hopes. At last Owen himself was driven to the conclusion that his attempt to mould the environment which was to re-create society had proved unsuccessful. He renounced all his ambitions for building up a new social order, and contented himself with an attempt to rid society as at present contituted of some of the more potent evist that were suppling its strength. And this brings us to his second essential idea, the abolition of profit.

### 2. THE ABOLETION OF PROPER

The first necessity, if the environment was ever to be changed, was

\*"The idea of responsibility is one of the absurders, and has done a great deal of
harm" (Catchium of the New Hore) Week, 18th.)

On the other hand, Owen had great influence with the working classes, and that he attributed to the fact that, "freed from all relief say perpositor, he was able to look apon men and human nature in general with infinite charite, and in that light men no longer seemed responsible for their actions." (Q need by Dolleans )

to get rid of profit. There was the essential evil, the original sin. Pro was the forbidden fruit which had compassed the downfall of ma and caused his expulsion from the Garden of Eden. Its very definition conveyed an implication of injustice, for Gt was always defined whatever was over and above cost of production) Products ought, be sold for what they cost; the net price is the only just price. But profit is not merely an injustice, it is a perpetual menace. Economic crises resulting from over-production, or rather from under-consump tion,1 may always be traced back to an unhealthy desire for profit The existence of profit makes it impossible for the worker to repurchase the product of his toil, and consequently to consume the equivalent of what he produced. Immediately it is completed the product is snatched up by a superior body which makes it inaccessible either to the maker or to the men who could furnish an equivalent amount of labour or who could offer as the price of acquiring it a value equal to that labour.

The problem is to abolish this parasitism, and the first question that suggests itself is whether the ordinary operation of competition, assuming it were altogether free and perfect, would be sufficient to get rid of it. The economists declare that it would, and the Hedonistic school makes bold to affirm that under a regime of perfect competit the rate of profit would fall to zero. (But Owen believed nothing of kind,2 He regarded competition and profit as inseparable, and if a was war the other was simply the spoils of conflict.)

Accordingly some form of combination must be devised which v suppress profit, together with "all that gives rise to that inording desire for buying in the cheapest market and selling in the deares

1 Like most of the economists and socialists of that time, Owen was very mu impressed with the crisis of 1815.

On the other hand, there is this objection:

Whenever profit forms a part of cost of production it is impossible to distinguish from interest. In that case it is true that even perfect competition would not do aw. with profit, since it will only reduce the price to the level of cost of production. that case profit cannot be said to be either unjust or parasitic, for the product is so

exactly for what it cost. When profit does not enter into cost of production there is no possibility of cos fusing it with interest. It is simply the difference between the sale price and the co of replacing the article In this it is certainly parasitic, and would disappear under regime of perfect competition, which must to some extent destroy the monopoly upo which such profit rests.

But the distinction between profit and interest was not known in Owen's time and Owen would have said that they are both one, and that if profit occasionally claims a share in the cost of production with a view to defying competition it has so right to any such refuge, for cost of production should consist of nothing but the value of labour and the wear and tear of capital. Accordingly it ought to be got rid of altogether.

But the instrument of profit is gold or money. Profits are always realized in the form of money.\(^4\) Gold is an intermediary in every act of exchange, and its intervention goes a long way towards explaining the anomaly of selling a commodity for more than cost price.\(^4\)The objective, then, must be money, and it must be replaced by labour notes, which will supply us with a measure of value altogether superior to money,\(^5\)Genium that labour is the cause and substances of value, it is only natural that it should afford us the best means of measuring value\_\(^4\)If is quite obvious that ample homage is paid to the Ricardian theory of value, but conclusions both novel and unproved are drawn from it.

The producer who wishes to dispose of his produce will be given labour notes in proportion to the number of hours which he has worked. In the same way the consumer who wishes to buy that product will be called upon to pay an equivalent number of labour notes, and so profit will be climanted.

The condemnation of money was not new, but what was original was the discovery that labour notes could supply the place of money, a discovery which Owen considered "more valuable than all the mines of Mexico and Peru." It has truly been a wonderful mine, and has been freely exploited by almost every socialist. But it hardly squares with Owen's communistic ideal, which aimed at giving to each according to his needs. The labour notes evidently imply payment according to the capacity of each. Besides, what is the use of any system of exchange that is not to be employed for purpose of distribution?

It remained to be seen whether this elimination of money could actually be realized in practice. An experiment to that effect was tried in London with the establishment of the National Equitable Labour Exchange. This was the most interesting experiment in the whole movement, although Owen himself was not very proud of his connection with it. It took the form of a co-operative society with a central

depot where each member of the society could deposit the product of 1"Metallic money is the cause of a great deal of crime, injustice, and want, and it is one of the contributory causes which tend to destroy character and to make life into a pandemonium

and a pandemonaum
"The secret of profit is to buy cheap and to sell dear in the name of an artificial
conception of wealth which neither expands as wealth grows not contracts as it

dumination controlled to the c

his labour and draw the price of it in labour notes, the price dependi upon the number of hours of work the product had cost, which the member himself was allowed to state. These products, or goods they were now called, marked with a figure which indicated the number of hours they had taken to produce, were at the disposal any member of the Exchange who wished to buy them. All that member had to do was to pay the ticketed price in labour note And so every worker who had taken, say, ten hours to make a pair of stockings was certain of being able to buy any other article which has also cost ten hours' labour. In this fashion every one got whatever hi product had cost him, and every trace of profit automatically disap peared. The profit-maker, whether industrial or commercial or merely an intermediary, was effectively removed, because producers and consumers were brought into direct contact with one another, and so the problem was apparently solved.1 The experiment, which had about the same measure of success as

the attempts to establish a communal colony in America, did not last very long. The slightest acquaintance with the laws of value would 
In the Labour Exchange, which was opened in September 1832, at first epiped a

"The Labour Exchange, which was opened in September 1832, at first enjoyed a slight measure of success. There were 840 members, and they even went the length of establishing a few branches. Among the chief causes of the failure of the school may be enumerated:

(a) The associates, being themselves affected.

(e) The associates, being themselves allowed to state the value of their products naturally exaggerated, and it became necessary to releve them of a tat which depended enturely upon their honour, and to place the valuation in the hand experts. But their experts, those over not at all verse oil overs in placelophy, when the goods in money in the ordinary way, and then expressed those values in a notes at the rate of 6d, for every hord's work. It could hardly have been done or other plan-"but it was none the less true that Owen's system was in this way inverse instead of the habour standard determining the selling value of the product.

money value of the product determined the value of the labour.

(i) As soon as the xociety begin to stract members who were not quite as scientious as those who first jouned it, the Exchange was flooded with good that the really unsafelable. But for the notes received in exchange for these the author would be forced to give goods which ponesed a real value, that is, goods which been honestly marked, and which commanded a good price, with the result hat the long run there would be nothing left in the depot except worthese profit labort, the Exchange would be reduced to buying goods which cost more than?

were worth, and selling goods that really coal less than they were worth. Since the noise were not in any way registered, approx, whether a member of society or not, could buy and sell them in the ordinary way and make a handle profit out of the transaction. There hundred London tradement did that by different to take labour notes in payment for merchandise. They soon empired the Eskins and when they saw that nothing whatable was left they stopped taking the nore, as and when they saw that nothing whatable was left they stopped taking the nore.

the trick was done.

M. Denis very apily points out that the Exchange was really of not much use
the wage-earner, who was not even allowed to own what he had produced. There
some doubt after all as to whether the system would prove quite successful in abolable

the wage-earners.

have convinced the reformer of the fulfilty of his attempt. July it marks an important departure in the history of economic doctrines as being the first of a long line of experiments designed to solve the same problem, but with very different methods. It is the same idea that impires Proudhou's Bank and Solvay's Compublishme noral.

The particular mechanism wherewith the elimination of profit was easyed is really of quies secondary importance. But the easential idea which lay behind the whole attempt—namely, the abolition of profit—is at least partly realized in that solid and useful institution which is now found all over the world, and which was bequeathed to us by this experiment of Owents—the co-operative stores. Their first appearance dates from 1822, the year of the Bank of Exchange experiment, but it was not until ten years later that they assumed their present form as the outcome of the efforts of the Rochdale Pioneers.

The co-operative retail societies have as their rule either to make no profits or to restore any profit that may accrue to their members in proportion to the amount of their purchases at the stores. In reality there is no profit, but simply a cancelling of insurance against risks which has been shared in by all the members. The process of elimination is strictly in accordance with Owen's method of putting producer and consumer in direct contact with one another with a view to getting rid of the middleman. But the elimination of profit is accomplished without eliminating money.1 That close relation which Owen and a number of other socialists believed to exist between money and profit is purely imaginary. We know as a matter of fact that the highest profits are to be got under the truck system, in the African equatorial trade, for example, where guns are exchanged at five times their value for caoutchouc reckoned at a third of its value, representing a profit of 1500 per cent. The employment of money has brought such definiteness into the method of valuation that the rate of profit per unit on a yard of cloth, say, has become almost infinitesimal. Such exactness of calculation would have been impossible under either the truck or the labour note system.

The co-operative association, with its system of no profits, will for ever remain as Owen's most remarkable work, and his fame will for ever be linked with the growth of that movement. But he was hardly conscious of the important part which he was playing in the inaugura-

<sup>&</sup>lt;sup>1</sup> This does not imply that consumers' associations, when they are better organized and federated, with large central depots at their command, will not take up this project once again—that is, will not try to dispense with money in their commercial transactions. They will certainly keep as eye on that problem.

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tion of the new movement. It is seldom that we meet with the word 'co-operation' in his writings, although that is not a matter of any great consequence, because the term at that time had not the signifcance which it has to-day, being then simply synonymous with com-Not only was Owen unwilling to assume any parental responsibility for the co-operative society, his latest offspring, but he expressly refused to consider it as at all representative of his system. Shops of that description seemed to him little better than philanthropic institutions, quite unworthy of his great ideal. Before passing judgment upon him it is only fair to remember that since those early days the character of the co-operative stores has been completely changed. He lived to see the establishment of the Rochdale society, with its twentyeight pioneers, six of whom were ardent disciples of Owen himself, and two of these, Charles Howarth and William Cooper, were the very soul of that immortal association. But Owen was by this time seventythree years of age, and he scarcely realized that a child had been born to him. This somewhat late arrival was to perpetuate his name, and more than any of his other schemes was to save it from oblivion-

Owen had founded no school, unless of course we consider that the co-operators are deserving of the title. There were, however, a few disciples who attempted to apply his theores. One of these was William Thompson, whose writings, forgotten for many years, have recently come in for a good deal of extravagant praise. His principal work, at fugiry into the Prancyles of the Distribution of Westle, was published in 1824X As compared with Owen he reveals a greater depth of thought and shows a more thorough acquaintance with economic science, as he ought perhaps to be given premier place as the founder of socialism, as we have pointed out in the Preface, we cannot readjust the judgment of history, and we are bound to accept the name which tradition has made sacred. And if a person's rank in history is to I measured by his influence rather than his talent, then Thompson influence was nil, for at the time his work seems to have passed almost uncontreed.

We will only remark that Thompson's grasp of the idea that blood does not enjoy all it produces is much firmer than Owen's. This meant opening the way for a discussion of surplus value, and unproductive labour, of which more anon. He agrees with Owen in thisking that expropriation would not remedy the evil, and he also would rather build up a new form of enterprise in which the worker would

<sup>&</sup>lt;sup>1</sup> That was Holyoake's view (History of Co-operation, Vol. I, p. 215). But, according to a passage quoted by Dolléans, Owen contemplated making an appeal to the co-operative societies to come to the rescue of his National Labour Exchange.

be able to retain for himself all the produce of his labour. This was precisely the co-operative ideal.1 ,3/2

## III. CHARLES FOURIER

Owen's practical influence has been much greater than Fourier's, for most of the important socialistic movements of the last century can easily be traced back to Owen. But Fourier's intellectual work, when taken as a whole, though more Utopian and less restrained in character than Owen's, has a considerably wider outlook, and combines the keenest appreciation of the evils of civilization with an almost uncanny power of divining the future.2

To some writers Fourier is simply a madman, and it is difficult not to acquiesce in the description when we recall the many extravagances that disfigure his work, which even his most faithful disciples can only explain by giving them some symbolic meaning of which we may be certain Fourier would never have thought. The term 'bourgeois socialist' seems to us to describe him fairly accurately, but its employment lays us open to the charge of using a term that he himself would never have recognized. But what are we to make of one who speaks of Owen's communistic scheme as being so pitiable as to be hardly worth refuting; who "shudders to think of the Saint-Simonians and of all their monstrosities, especially their declamations against pro-perty and hereditary rights and all this in the nineteenth century"; who in his scheme of distribution scarcely drew any distinction between labour, capital, and business ability, five-twelfths of the product being given to labour, four-twelfths to capital (which is probably more than

<sup>1</sup> To the workers he wrote, "Would you like to enjoy yourselves the whole products of your labour? You have nothing more to do than simply to alter the direction of your

labour Instead of working for you know not whom, work for each other." (Quoted by Foxwell in his introduction to Anton Menger's The Right to the 15 hole Produce of Labour See the lecture on Les Prophèties de Fourier in Gide's Co-opération. It is hardly necessary, however, to credit him with a greater amount of eccentricity than he actually possessed, and I seize this opportunity of refuting once more a story told by more than one eminent economist, attributing to him the statement

that the members of the Phalanstère would all be endowed with a tail with an exe at the end of it. The carreaturists of the period-"Cham," for example-represent them in that fashion. The legend doubtless grew out of the following passage from his works, which is fantastic enough, as everybody will admit. After pointing out that the inhabitants of other planets have several limbs which we do not possess, be proceeds; "There is one limb especially which we have not, and which presents the following very useful characteristics. It acts as a support against falling, it is a powerful means of defence, a superh ornament of gigantic force and wonderful dexterity. and gives a finish as well as lending support to every bodily movement." (Fourse

Industrie, Vol. 11, p. 5) Amnous Alonde industriel, p. 474.

it gets to-day) and three-twelfths to management; who outbid the me brazen-faced company promoter by offering a dividend of so to per cent., or for those who preferred it a fixed interest of 8 per cent. who held up the right of inheritance as one of the chief attraction that would be secured by the Phalanstère; and who finally declare that inequality of wealth and "even poverty are of divine ordination and consequently must for ever remain, since everything that God ha ordained is just as it ought to be 'Y'

To the men of his time, and to every one who has not read him which means practically everybody. Fourier appears as an ultrasocialist or communist. That opinion is founded not so much upon the extravagance of his view or the hyperbolical character of his writing as upon the popular conception of the Phalanstère, which was the name bestowed upon the new association he was going to create Visions of a strange, bewildering city where the honour of women as well as the ownership of goods would be held as common property are conjured up at the mention of that word. Our exposition of his system must obviously begin with an examination of the Phalanstère upon the understanding of which everything turns.

I. THE PHALANSTÈRE As a matter of fact nothing could be more peaceful than the p. pect which the Phalanstère presents to our view. Anything m closely resembling Owen's New Harmony or Cabet's Icaria or Ca panella's Civitas Solis or More's Utopia would be difficult to imagi Externally it looks for all the world like a grand hotel -a Palace Ho on a gigantic scale with 1500 persons en bention. One is instinctive reminded of those familiar structures which have lately become so a feature of all summer and winter resorts, containing all manner rooms and apartments, concert halls and lecture rooms, etc. All this is described by Fourier with the minutest detail. No restriction would be placed upon individual liberty. Anyone so choosing conhave a suite of rooms for himself, and enjoy his meals in the privaof his own room-that is, if he preferred it to the lable d'hise Il's Life is generally open only to the few. The Phalanstère would be rooms and tables at all prices to suit all five clauses of soriety, with

free table in addition A number of people living under the same roof and eating at it. same table, and adopting this as their normal everyday method o

Letter dated January 25, 1951, quited by Pellarin, La & Pierie (Paris, 189) 6 trusteen Minds industriel, p. 20. For Korteer details for Closes chance to 8 and with mondiation by Charles Cole, and History Ecospa's big schare on Fourse

living, sums up the element of communism which the scheme contained. And the question is naturally asked, Why should Fourier statch such supreme importance to this mode of existence as to make it the size que non of his whole system and the key to any solution of the problem? The answer lies in the conviction, which he fully shared with Over, that no solution is possible until the environment is changed, and so changed that an entirely new type of man will result from it.

Economically, of course, life under the same roof can offer to the consumer the maximum of consior at a maximum of cost. Cooking, to, heating, lighting, etc., would under such conditions be cheaper and more efficient, and all the worries and anxieties of individual house-keeping would be swept saide.

Sectally a common life of this kind would gradually teach different persons to appreciate one another. Sympathy would take the place of mutual antipathy, which under the present regime, as Fourier cloquently remarks, shows an "ascending scale of hatred and a descending scale of contempt." Besides, the multiplicity of relations and interests, and even of intingues, which would occasionally enliven this little world would at any rate make life more interestive.

On this double sense of advantages Founer is quite mexhaustible. He reckons up the conomies with he painstaking care of an old clerk, and boats the superiority of the table 25th over the family metal with the enthusiasm of an old bachelor. The social and moral advantages seem somewhat more doubtful. It is not very obvious that contact with the rich would make the poor more polished or apricable, nor is tivery clear that either would be much happire for it. Founer's Utopia is already in operation in the United States, where, owing to the increase in the cost of living, the economic advantages of a communal life are more fully taken advantage of. Not only are there a great number of bachelors living at the clubs, but young couples have recently made a practice of taking up their abode at the hotels. They are already on the way to the Phalanstier.

This shows that Fourier was considerably in advance of his time, and those who hold that doctrines, after all, are always suggested by facts would find it difficult to discover anything pointing towards such communal experiments in the earlier part of the nineteenth century.

His solution of the servant problem, which is becoming more difficult every day, has since been largely adopted. Alis suggestion was the substitution of collective for individual services as being more compatible with human dignity and independence, and the development of industrial rather than domestic production. This has taken place in the case of bread-making and laundry work, and has been extended to house-sweeping (by means of the vacuum cleaner), expeccleaning, etc. A further extension to the art of cooking has also taken place.

## 2. INTEGRAL CO-OPERATION

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Careful scrutiny of the internal arrangements of the Phalanster shows it to be something other than an ordinary hotel, after all. "It may perhaps be regarded as a kind of co-operative hotel, belonging to an association and accommodating members of that association only. It is much more thoroughgoing than the ordinary co-operative society, which is just content to buy commodities as an association without making any real attempt to practise communism, except in those racess where a co-operative restaurant it set up alongside of a cooperative warehouse.

The "Phalange," not content to remain a mere consumers' associa-

tion, was to attempt production as well. Around the hotel was to be an area of 400 acres, with farm buildings and industrial establishments that were to supply the needs of the inmates. The Phalange was to be a small self-sufficing world, a microcosm producing everything it consumed, and consuming—as far as it could—all it produced. Occasionally, no doubt, there would be occasional surpluses or some needs would remain unsatisfied, and then recourse would be had to exchange with other Phalanges. Every Phalange was to be establish as a kind of joint-stock company. Private property was not to extinguished altogether, but to be transformed into the holding stock-a transformation of a capitalistic rather than of a socialis nature. M. de Molinari states that the future will witness the almo universal application of the joint-stock principle, and he for one wou welcome its extension. Fourier has forestalled his prophecy by thre quarters of a century, with an insight that is truly remarkable for the time in which he wrote, for joint-stock undertakings were then excee ingly rare. He enumerates the many advantages which would resu from such a transformation in the nature of property, and he round declares that "a share in such concerns is really more valuable tha

any amount of land or money."

Jf is necessary to point out that Fourier's suggestions for a solution of the donert servant problem are really not quite so definite as we have given the reader to understand in the text. They are mixed up with a number of other ideas of a note or lo stand in the text. They are mixed up with a number of other ideas of a note or lo stantise description, but very suggestive nevertheless. This is operably one of the nuggestion to transform domestic service by making it mutually granulous—and ite that is worth thicking about.

How were the extravagant dividends which he promised when propounding his scheme to be paid out? The usual method in financial and commercial transactions is to distribute them according to the holding of each individual. But such was not to be his plan. Vapiral was to have a third of the profits, labour five-twelfths, and ability three-twelfths "Ability," which signifies the work of management, was to devolve upon those individuals who were chosen by the society and were considered best fitted for the work. Fourier never realized that there was a possibility of the wrong man being chosen. Me had no experience of universal suffrage, and he believed that within such a ting group the election would be perfectly boss-fits.

Associations known as Phalanges have actually been established in Paris, and to some extent at any rate they have realized the ideal as outlined by Pourier. The profiles are divided in almost strict accordance with Fourier's formula, and in order to emphasize their descent from him the members have caused a statue to be raised to his memory in their quarter of the town—the Boulevard de Clichy.

Not content with giving us an outline of a co-operative productive society, Fourier has also left us an admirably concise statement of the problem that faces modern society. "The first problem for the contonist to kelve," say he, "is to discover some way of transforming the wage-earner into a co-operative owner."

The necessity for such transformation consists in the fact that this is the only way of making labour at once attractive and productive, for "the sense of property is sill the strongest lever in civilized society," 

"The poor individual in Harmony who only possesses a portion of a hare, say a twentieth, is a part proprietor of the whole concern. He can speak of ow land, our palaces and castles, our forests and factories, for all of them belong partly to him." "Hence the role of capitalist and preprietor are synonymous in Harmony".

and reconstitute years are a surprised as a worker, The worker will draw his share of the profits not merely as a worker, but abo as a capitalist who is a shareholder in the concern, and as a member of the directorate, in which every shareholder has a voice. The administration of the business will form a part of his responsibilities. This just hast we are accustomed to call co-partnership He will,

We were thinking especially of associations like that of the painters under the leadership of M. Busson, where flittribution is as follows, labour 50 per cent,, capital

87 per cent., administration 12 per cent. Association domestique, Vol. I, p. 466.

For those who live in the future Harmony city there will be other and more powerful

1 Bed . p. 452.

<sup>&</sup>quot; Unit miceralle, Col III, p. 517

moreover, participate in the privileges and management of the Phalange as a member of a consumers' association,

All this seems very complicated, but it was a part of Fourier's policy to transmute the divergent interests of capitalists, workers, and consumers by giving to each individual a share in these conflicting interests. Under existing conditions they are in conflict with one another simply because they are focused in different individuals. Were they to be united in the same person the conflict would cease, or at any rate the battleground would be shifted to the conscience of each individual, where reconciliation would not be quite such a difficult matter. A programme which aims, not at the abolition of property, but at

the extinction of the wage-carner by giving him the right of holding property on the joint-stock principle, which looks to succeed, not by advocating class war, but by fostering co-operation of capital with labour and managing ability, and attempts to reconcile the conflicting A of interests of capitalist and worker, of producer and consumer, debtor and creditor, by welding those interests together in one and the same person, is by no means commonplace. Such was the ideal of the French working classes until Marxian collectivism took its place, and it is quite possible that its deposition may be only temporary after all. The programme which the Radical Socialists swear allegiance to, and which they set against the purely socialistic programme, is the maintenance and extension of private property and the abolition of the wage-earner. By taking this attitude they are unconsciously following in the wake of Fourier

The system of integral association proposed by Fourier, including both c operative production and co-operative dutribution, will be better understood if v

ook at the facts of the present situation. On the one hand we have co-operative associations of producers who are not partie larly anxious that their products should be distributed among themselves; the simply produce the goods with a view to selling them and making a profit out of th transaction On the other hand, the distributing societies simply aim at giving the

members certain advantages, such as cheaper goods, but they make no attempt \$ produce the goods which they need

In countries where co-operative societies are properly organized, as they are it England, for example, many of these societies have undertaken to produce at least part of what they consume, and some of them have even acquired small estates for the purpose; but only a small proportion of the employees are members of the societies with the result that their position is not very different from that of other working men. One understands the difficulty of grouping people in this way. But if the saso ciations are to live it is absolutely necessary that they should produce what they require under conditions that are more favourable than those of ordinary producers in a word, that they should be able to create a kind of new economic environment

Even in the colonies one does not find many instances of vigorous associations of this kind. \* Co-partnership as outlined by M. Briand is to-day an item in the programme of

the Radical Democratic party. See Les Actions du Travail, by M. Antonelli.

## 3. BACK TO THE LAND

The title at the head of this section is to-day adopted as a motto by several social schools. It also figured in Fourier's programme long ago. Fourier, however, employed the phrase in a double sense.

In the first place, he thought that there must be a dispersion of the big cities and a spreading out of their inhabitants in Phalanstères, which would simply mean moderate-sized villages with a population of 1600 people, or 400 families. Great care was to be exercised in choosing a suitable site. Wherever possible the village was to be placed on the bank of a beautiful river, with hills surrounding it, the slopes of which would yield to cultivation, the whole area being flanked by a deep forest. It was not, as some one has remarked, intended as an Arcadia for better class clerks. "It was simply an anticipation of the garden cities which disciples of Ruskin and Morris are building all over England. These are designed, as we know, not merely with a view to promoting health and an appreciation of beauty, but also to encouraging the amenuties of life and to solving the question of housing by counteracting the high rental of urban land

In the second place, industrial work of every description, factory and machine production of every kind, were to be reduced to the indispensable minimum-a condition that was absolutely necessary if the first reform was ever to become practicable. Contrary to what might have been expected, Fourier felt no antipathy towards capitalism, but entertained the greatest contempt for industrialism, which is hardly the same thing. A return to the land, if it was to mean anything at all, was to mean more agriculture. But care must be taken not to interpret it in the old sense of tillage or the cultivation of cereals. It was in no measured terms that he spoke of the cultivation of corn and the production of bread, which has caused mankind to bend under the cruellest yoke and for the coarsest nourishment that history knows. The only attractive forms of cultivation, in his opinion, were horticulture and c arboriculture, apple-growing, etc., joined, perhaps, with poultry- . keeping and such occupations as generally fall to the lot of the smallholder.3 The inhabitant of the Phalanstère would be employed

Without stopping to examine some of the more solid reasons—which unfortunately

<sup>1</sup> M. Faguet, Resul des Deux Mondes, August 1, 1806

<sup>&</sup>quot;Industrialism is the latest scientific illusion" (Quate Montements, p. 28) We must also draw attention to his suggestion for co-operative banks, where agriculturists could bring their harvest and obtain money in exchange for it-a rough model of the

agricultural credit banks. But he only regarded this as a step sowards the Phalametre. The kinds of labour which Fourser selects as examples are always connected with fruit-growing—therry orchards, pear orchards, etc. Fruit and flowers have a very important place in his writings. He seems to have anticipated the fruit-growing rancher of California.

almost exclusively in looking after his gottlen, just as Adam was befor the Fall and Candala after his misfortunes

## 4 ATTRACTIVE LABOUR

The attractiveness of latener was made the pivot of Fourier's prom-Wherever we like to look, whether in the direction of so-called civilized secieties or towards barbarian or servile communities. Libour is everwhere regarded as a curse. There is no reason why it should be, and in the society of the future it certainly will not be, for men will then labour por because they are constrained to either by force or by the pressure of need or the allurement of self-interest (Fourier's ideal was a social State in which men would no longer be forced to work, whether from the necessity of earning their daily bread or from a desire for gain or from a sense of social or religious duty.) His ambition was to se men work for the mere love of work, hastening to their task as they do to a gala. Why should not labour become play, and why should not the same degree of enthusiasm be shown for work as is shown by youth in the pursuit of sport?1

Fourier thinks this would be possible if every one were certain that he would get a minimum of subsistence by his work. Labour would lose all its coercive features, and would be regarded simply as an opportunity for exercising certain faculties, provided sufficient liberty were given every one to choose that kind of work which suited him best, and provided also the labour were sufficiently diversified in character to stimulate imagination and were carried on in an atmosphere of joy and beauty. The sole object of the Phalanstère, as we have already seen, was to make labour more attractive by creating a new kind of social life in which production as well as distribution would be on a co-operative basis and horticulture would take the place of agriculture. But Fourier was not content to stop at that, and he proceeds to show the importance of combining different kinds of employment. Some of his suggestions are very ingenious; others, on the other hand, are equally puerile. The most notable of these is his proposal to bring individuals together into what he calls groups and series. A

are buried beneath a great deal of rubbish—why fruit-growing should take the place of agriculture, we must just recall the curious fact that he was always emphauring the superiority of sugar and preserves over bread, and pointed to the 'divine instant' by which children are enabled to discover this. The suggestion was ridiculed at the time, but is to-day confirmed by some of the most eminent doctors and teachers of hygiene.

It is interesting to contrast this view with Bücher's, who thinks that the evolution of industry simply increases its irksomeness. A conception of regressive or spiral

evolution might reconcile the two views.

person would be allowed to join these groups according to his own individual preferences, and as it would not involve his spending his whole life in any one of them, he would be free to 'flit' from one to the other.

But it is about time we took leave of our guide. We cannot pretend to follow the twists and turns of his labyrinthine problogy, with it is dozen passions, of which the three fundamental ones are the desire for change, for order, and for secrecy; nor can we bring ourselves to accept his <u>historial</u>, nor his views on climatic and cosmogenie evolution, which was some day to result in sweetening the waters of the recan, in melting the polar glaciers, in giving birth to new animals, and in putting us in communication with other planets. Yet even this muddy torrent is not without some grain of gold in it.

Take the question of education, for example, which holds a very prominent place in his writings. Old bachelor that he was, he never acred every much for children, but he nevertheless foreshadowed the jevelopment of modern education on several important points. Froebel, who conceived the idea of the kindergarten (1837), was among his disciples.

Aftis teaching on the sex question bears all the marks of lax morality, and indicates the fallacy of thinking that untrained passions and instincts can be morally justified. His extreme views on this question, which even go beyond the advocacy of free union, have contributed a great deal to the downfall of Fourierism. Paul Janet remarks somewhere that the socialists have not been very happy in their treatment of the woman question, and we have already shown how this weakness led to the downfall of Saint-Samonism. But even on this subject Fourier has penned a few pithy sentences." "As a general rule," he says,

it may be said that true social progress is always accompanied by the fuller emancipation of woman, and there is no more certain evidence of decadence than the gradual servility of women. Other events undoubtedly influence political movements, but there is no other cause that begets social progress or social decline with the same rapidity as a change in the status of women.<sup>3</sup>

<sup>1</sup> Let us not forget his Penias Hordas, which consisted of groups of boys who understook the sweeping of public paths, the surveillance of public gardens, and the protection of unimals. The sides was very much fiducited at the time, but a number of similar organizations, each with its badge and banner, were instituted by Colonel Wayring in the cut of New York.

"My theory is that every passion given by nature should be allowed the fullest kope. That is the key to my whole system. Society requires the full exercise of all the faculties given us by God."

Quetre Macrements, p. 194.

Unfortunately his feminism was not so much inspired by respect to the dignity of woman as by his hatred of family life, and the libert which he thought to be the true test of progress was generally nothing better than free love

The anti-militarists have good claim to regard him as a forerunner Speaking of present-day society, he said that "it consists of a minority of armed slaves who hold dominion over a majority of disarmed."

At was not Fourier's intention to introduce men into the world of Harmony at one stroke. He thought that as an indispensable preluninary they should go through a stage of transition which he calls Garantisme, where each one would be given a minimum of subsistence, security, and comfort-in short, everything that is considered necessary by the advocates of working-class reform.

Fourierism never enjoyed the prestige and never exercised the isfluence which Saint-Simonism did, but its action, though less startling, and confined as it was to a narrower sphere, has not been less durable Nothing has been heard of Saint-Simonism these last fifty years, but there is still a Phalanstère school. It is not very numerous, perhaps, if we are only to reckon those who formally adhere to the doctrine, but if we take into consideration the co-operative movement, as we ought at least to some extent, it is seen to be very powerful still. For a lorg time Fourier's ideas were scouted by everybody, but later much more sympathetic attention was given them.1

Among his disciples there are at any rate two who deserve special mention. Victor Considerant, one of the strongest advocates of Fourierism, has left us the best exposition of the doctrine that we have, in his book Doctrine sociale (1834-44). Like Owen, he experimented in American colonization, and gained a measure of notoriety in the Revolution of 1848 by insisting upon the right to work as a necessary compensation for the loss of property.

André Godin lest a monument more permanent than books, in the famous Familistère which was founded by him. It consists of an

2 See, for example, such works as Zola's Trotail, and Barres's L'Essent de Lou, and as an example of the general change in the tone of the economists we may refer to Paul Leroy-Beaulieu's latest writings, in which he speaks of Fourier as a "gestal thinker "

It is no part of our task to relate the story of the several colonies founded enter by disciples of Fourier or of Owen. Experiments of this kind were fairly general # the United States between 1841 and 1844, when no less than first colonies were founded. Brook Farm, which is the test known of these, included among its member some of the most remnent Americans—Channing and Hawthorne, for examples by none of the settlements lasted very long

Similar attempts have been made in France at a still more recent perud, actal in 2 the code of at Condesur-Vengres, near Ramboullet, where a few furthil during a

Fourier came sorether.

establishment for the manufacture of heating apparatus at Guise, run entirely on co-partnership lines, the profits being distributed in accordance with the rules of the master. It is not a new co-operative society of the humdrunk kind, however. Close to the works, right in the middle of a beautiful park, are one or two huge blocks which contain the 'flats' where the co-partners live, as well as schools, excher, a theatre, and a co-operative sores. But despite its fame, and notwithstanding the fact that it has become a kind of renderwous for co-operators all the world over, there is nothing very attractive about it, and if one wants to get a good idea of what a real Phalanstére is like it is better to visit either Boursville or Port Sunlight, or Agneta Park in Holland.

## III: LOUIS BLANC

It is not the most original work that always attracts most attention. Stuart Mill, writing of Saint-Simonism and Fourierism, claims that "they may justly be counted among the most remarkable productions of the past and present age." To apply such terms to the writings of the past and present age." To apply such terms to the writings of Cauis Blane would be entirely out of place. Has predecessors' works, despite a certain mediocnty, are redeemed by occasional remarks of great penetration; but there is none of that in Louis Blane's. Moreover, his treatment is very slight, the whole exposition occupying about a much space as an ordinary review article. And there is no evidence of exceptional originality, for the sources of its inspiration must be ought elsewhere—in the writings of Saint-Simon, of Fourier, of Simondi, and of Buonarotti, one of the survivors of the Babeuf conspiracy, and in the democratic doctrines of 1793. In short, Blane was content to give a convenient exposition of such socialistic ideas as the public had become accustomed to since the Restoration. Nevertheless, no soorer was the Organisation for Toronal published in

1841 than it was read and discussed by almost everybody. Several editions followed one another in rapid succession. The tule, which is borrowed from the Saint-Simondians, supplied one of those popular formular which conveniently summed up the grievances of the working classes in 1848, and during the February Revolution Louis Blanc came to be regarded as the best-qualified exponent of the views

i Founded in 1859, it only became a co-partnership in 1838, the year of Godin's

As a matter of fact it first appeared as an article in the Resul de Progris in 1839.

Buonarotti was the author of La Compushon poor l'Égulist, die de Babrel, published in 1838. Little notice was taken of the volume by the public, but it was much discussed in democratic circles.

A something

of the profession. Even for a long time after 1848 the work was considered to be the most characteristic specimen of French excisions within.

Its inseres was in a measure due to the circumstances of the profet. The Inevity of the break and the directions of the expession make discussion of the theme a comparatively easy matter. The personal networky of the author also had a great deal to do with the interest which his work aroused. During the short career of the July monatch blane, both in the Press and on the platform, had found himself or the most valuant supporters of the advanced demorative wing. He littens de Dut sex gave him some standing as a historian. Late of the role which he played as a member of the Provisional Government of the 18th, and afterwards at the inauguration of the Third Republic, contributed to his farme as a public man. And, last of all, his missional contributed to his farme as a public man. And, last of all, his missional contributed to his farme as a public man. And, last of all, his missional contributed to his farme as a public man. And, last of all, his missional contributed to his farme as a public man. And, last of all, his missional contributed to his farme as a public man. And, last of all, his missional contributed to his farme as a public man. And, last of all, his missional contributed to his farme as a public man. And, last of all, his missional contributed to his farme as a public man.

All this, however, would not justify his inclusion in our history were it not for other reasons which give to the Organization du Traval sons thing more than a mere passing interest.

In no other work is the opposition between competition and association so trenchantly stated. XEvery economic evil, if we are to believe Blane, is the outcome of competition. Competition affords an explanation of poverty and of moral degradation, of the growth of crime and the prevalence of prostitution, of industrial crises and international feuds "In the first place," writes Blanc, "we shall show how competition means extermination for the proletariat, and in the second place how it spells poverty and ruin for the bourgeoisie." The proof spreads itself out over the whole work, and is based upon varied example gleaned from newspapers and official inquiries, from economic treatises and Government statistics, as well as from personal observations carried on by Blanc himself. No effort is spared to make the most disagreeable facts contribute of their testimony. Everything is arranged with a view to one aim—the condemnation of competition. Only one conclusion seems possible: "If you want to get rid of the terrible effects of competition you must remove it root and branch and begin to build anew, with association as the foundation of your social life."

ancw, with association as the foundation of your social with the Journal of America of A

<sup>1</sup> Organisation du Traveil, 5th ed. (1848), p. 77-

Neither does he conceive of the economic world of the future as a series of groups, each of which forms a complete society in itself. Fourier's integral co-operation, where the Phalanatire was to supply all the needs of its members, is ignored altogether. <sup>1</sup>His proposal is a social workshop, which simply means a co-operative producers' society. The social workshop was intended simply to combine members of the same trade, and is distinguished from the ordinary workshop by being more democratic and equalitarian. Unlike Fournerism, it does not contain within itself all aspects of economic life. By no means self-contained, it merely undertakes the production of some economic good, which other folk are expected to buy in the ordinary way. Louis Blanc's is simply the commonent type of co-operative society. <sup>1</sup>The schemes of both Owen and Fourier were much more ambitious, and attempted to apply the principle of co-operation to consumption as well as to production.

Nor was the idea altogether a new one. A Saint-Simonian of the name of Bucher had already in 1831s made a similar proposal, but it net with little success. Workers in the same trade—carpenters, masons, shoormakers, or what not—were advised to combine together, to throw their tools into the common lot, and to distribute among themselves the profits which had bitherto gone to the mirprinear. A fifth of the annual profits was to be hid ande to build up a "prepretual inalienable reserve," which would thus grow regularly every year. "Without some such found," say Buchez, with an unserting instinct for the future,

association will become little better than other commercial undertakings. It will prove beneficial to the founders only, and will ban every one who is not an original shareholder, for those who had a share in the concern at the beginning will employ their privileges in exploiting others.<sup>1</sup>

Such is the destiny that awaits more than one co-operative society, where the founders become mere stareholders and employ others who are simply hirelings to do the work for them

We refer to it as the commonest type because in the previous actions we, have been that other cooperation actions east, such as La Pravad, for example, which times to be modelled upon Fourier's beloner, specially in the matter of borrowest the common state of the common state of the production reads as follows: "No now till be allowed to bronch as allowing the common state of the production reads as follows: "No now till be allowed to bronch as allowing the common state of the common state of productions or or stay;" and the whole modelled by the Common state of travall in 1861, Let discussion Generally

\*Quant by Ferty, In Manager sector on Dibut & In Managhar & July, p. 68 (Pain, 1918)

<sup>1</sup> In the Janual de Sauces moules of politiques, December 17, 1831. Only one americans—the politicalitie, in 1834—was founded as the result of this article

in favour of the great industry, and that seems to be the only different between his social workshop and an ordinary co-operative social turns the social workshop was just a cell out of whis a complete collectivistic society would some day issue Joth. I ultimate destiny did not really interest him very much. The ideal smuch too vague and too distant to be profitably discussed. The important thing was to make a beginning and to prepare for the furn in a thoroughly practical fashion, but "without breaking allogsdewith the past." That seemed clearly to be the line of procedure. To give an outline of what that future would be like seemed a vain desir and would simply mean outlining another Utopis.

It is just because his plan was precise and simple that Louis Blan succeeded in claiming attention where so many beautiful but quit impossible dreams had failed. Here at last was a project which every one could understand, and which, further, would not be very difficult to adopt. This passion for the concrete rather than the ideal, for some practical formula that might possibly point the way out of fire moras of latines/fairs, may be discovered in more than one of his contemporaries. It is very pronounced in Vidal's work, for example. Vidal was the author of an interesting book on distribution which unfortunately seems to be now quite forgotten. Much of the success of the project, like that of the State Socialism of a later period, was undoubtedly due to this feeling.

The projected reform seemed exceptionally simple. A national workshop was to be set up forthwith in which all branches of production would be represented. The necessary capital was to be obtained from the Government, which was expected to borrow it. Every works who could give the necessary moral guarantee was allowed to compete for this capital. Wages would be equal for everybody, a thing which is quite impossible under present conditions, largely because of the false anti-social character of a good deal of our education. In fatture, when a new system of education will have improved morally and begotten new ideas, the proposal will seem a perfectly natural one. If fire we come across a suggestion that teems common to all the associationists, namely, the idea of a new environment effecting revolution in the ordinary motives of mankindy. As to the hierarch of the workshop, that will be established by election, except during the first year, when the Government will undertake to conduct the or

\* François Vidal, De la Répartition des Ruhesies (1848).

<sup>&</sup>lt;sup>1</sup> Buches's proposals for the reform of the "great industry" were of an entire different character.

ganization, because as yet the members will hardly be sufficiently trained to choose the best representatives. The net revenue will be disjded into, phree poptions, of which the first will be distributed between the various members of the association, thus contributing to a rise in their wages; the second portion will go towards the upkers of the old, the sick, and the infirm, and towards easing the burders of sense other industries; while the turn portion will be sport in supplying tools to those who wish to join the association, which will gradually extend its sway over the whole of society. The last suggestion inevitably reminds us of Bucher's "insulanable and perpetual capital."

Interest will be paid on the capital employed in founding the industry, such interest being guaranteed against taxation. But we must not conclude that Blanc favoured this condition because he believed in the legitimacy of interest, as Fourier dud. He was too pronounced a disciple of the Saint-Simonians ever to admit that it was legitimate. The time will come, he thinks, when it will no longer be necessary, but he gives no hint as to how to get rid of it. For the present at any rate it must be paid, were it only to enable the transition to be made "We need not with savage impatience destroy everything that has been founded upon the abuses which as a whole we are so anxious to remove." The interest paid, along with the wages, will form a part of the cost of production. The capitalists, however, will have no share in the net profit unless they have directly contributed to it.

It seems that the only difference between the social workshop and the present factory is its somewhat more democratic organization, and the fact that the workers themselves seize all the profit (i.e., over and above the net interest), instead of leaving it, as was hitherto the case, to the entirprisent.

But this social workshop, as we have said, is a mere cell out of which a new society is expected to form-V(The amusing feature is this, that the new society can only come into being through the activity of competition—competition purged of all its more abominable features that is to say, "The sam of competition must be strengthened in order to get rid of competition." That ought not to be a very difficult test, for the "notal workshop as compared with the ordinary private factory will effect greater economies and have a better system of organization, for every worker without exception will be interested in honestly performing his duty as quickly as possible." On every vide will private enterprise find fuel interested by the new system. Capital and worker will gravitate towards the social workshop with its greater advantages. Nor will the movement case until one vast association has been formed trepterenting all the social shops in the same industry. Every important preparenting all the social shops in the same industry. Every important preparenting all the social shops in the same industry. Every important

industry will be grouped round some central factory, and "the different shops will be of the nature of supplementary establishments." It crown the edifice, the different industries will be grouped together and, instead of competting with one another, will materially help and support each other, expectally during a time of crisis, so that the understanding existing between them will achieve a still more remarkable success in preventing crises altogether.

Thus, merely by being given greater freedom the competitive regime, and as the social workshops realize these wonderful ideals the ends of competition will disappear, and moral and social life will be cleaned of its present evils.)

The remarkable feature of the whole scheme is that hardly any thing new is needed to effect this vast change. You a little additional pressure on the part of Government, some appliad to set up the welshops, and a few additional regulations to guide it in its operations, that is all.

⟨This is really a very important point in Louis Blane's doctrine, which clearly differentiates it from both Owen's and Fourier's. They appeared to think that the State was not necessary at all: private initiative seemed quite sufficient. It was hoped that society would renew itself spontaneously without any extraneous aid, and this is still the working creed of the co-operative movement. Wherever the co-operative movement has flourished the result has been entirely due to the efforts of its members. But Louis Blane's attention was centred on the highly trained artisan, and the problem was to find capital in employ him. Were they to rely upon their own savings, they would never make a beginning.1 Moreover, somebody must start the thing, and power is wanted for this. That power will be organized force, which will be employed, however, not so much as an ally, but rather as a 'starter.' Intervention will necessarily be only temporary. Once the scheme is started its own momentum will keep it going. The State, so to speak, "will just give it a push: gravity and the laws of mechanica will suffice for the rest." That is just where the ingenuity of the whole system comes in, and as a matter of fact the majority of the producing

1 "The emancipation of the working clases is a very complicated business, the bound up with so many other questions and involves such profusal of profusal and the second profusal and profusal and the second profusal and th

State Socialists to Down to the or Special States 271

2. Blane 2. Ritharday to Media.

co-operative societies now at work owe their existence to the financial

aid and administrative ability of public bodies, without which they could hardly keep going.

Luin Blane, accordingly, is one of the first socialists to take care to place the burden of reform upon the shoulders of the State, Rodbertus and Lassalle make an exactly analogous appeal to the State, and for this reason the French writer deserves a place among the pioneers of State Socialist.

This appeal of the socialists is beautifully naive. On the one hand they invite the adherence of Government to a proposal that is frankly revolutionary, in which case it is asked to compass its own destruction—naturally not a very attractive prospect. On the other hand the project stems harmless enough, and the support which the Government is asked to extend further emphasizes the modest nature of the undertaking/\(\frac{1}{2}\) tasked to extend further emphasizes the modest nature of the undertaking/\(\frac{1}{2}\) tasked to extend further emphasizes the modest nature of the undertaking/\(\frac{1}{2}\) tasked to extend further emphasizes the solution of this dilumnary proclaiming itself frankly conservative, as it has done in Germany/\(\frac{1}{2}\)

Louis Blane, like Lassalle after him, was much concerned with immediate results, and he failed to notice this objection. He paid considerable attention to another line of criticism, however, and one that he considered much more dangerous. He sought a way of escape by using an argument which was afterwards frequently employed by the State Socialists, as we shall see by and by.

The question was whether State intervention is contrary to liberty or not. "It clearly is," says Louis Blane,

if you conceive of liberty as an abstract right which is conferred upon man by the terms of some constitution or other. But that is no real liberty at all. Tall liberty consists of the power which man has of developing and exercising his faculties with the sanction of justice, and the approval of law!

The right to liberty without the opportunity of exercising it is simply oppression, and wherever man is ignorant or without tools he inevitably has to submit to those who are either richer or better taught than him-

<sup>1. &</sup>quot;The fillusive conception of an abstract right has had a girst hold upon the public ever since 1500. But it is notified better than an exceptival also action, which can afford but futle consolation to a people who have been nobbed of a definite security what was rally therein. The 'right of onan; proclaumed with props and defined with minutenen in many a charter, has simply served as a cloak to black be signified individualisms and the hashwood researce and reflect on the procured of its representation of the hashwood researce and reflect on the procured of the hashwood researce are defining theory as a right, non-have got issue the black of the procured of t

272 THE ASSOCIATIVE SOCIATIVES self, and his liberty is cone. In such cases State intervention is

necessary, lust as it is in the ease of inferior classes or minors. daire's saying is more pithy still: "As between the weak an strong, liberty oppresses and law sets free." Sismondi had a employed this argument, and much capital has been made of

every opponent of lausez-faire.1

In the writings of Louis Blanc may be found the earliest fain line of a movement that had assumed considerable proportions ! the end of the century. State socialism, which was as yet a temp expedient, by and by becomes an important economic doctrine numerous practical applications.

The events of 1848 gave Louis Blanc an opportunity of a realizing his ideas. We shall speak of these experiments who come to discuss the misdirected efforts of the 1848 socialists. But ideas outlined in the Organisation du Travail were destined to a permanent success in the numerous co-operative productive soc which were founded as a result of its teaching. They are still

popular with a certain class of French working men. Though inferior to both Fourier and Owen, Blanc gave cons able impetus to the Associative movement, and quite deserves place among the Associative socialists.

Beside Louis Blane it may be convenient to refer to two of

writers. Leroux and Cabet, who took part in the same movement i

up to the Revolution of 1848. Pierre Leroux exercised considerable influence over his conporaries. George Sand's works are full of social dissertations, and herself declares that most of these she owed to Leroux. However, can hardly get anything of the nature of a definite contribution to

science from his own writings, which are vaguely humanitarian character. We must make an exception, perhaps, of his advocac association.2 and especially of the idea of solidarity, a word that

been exceedingly fortunate in its career. Indeed, it seems that he the first to employ this famous term in the sense in which it is u to-day-as a substitute for charity.3 Apparently, also, he was the first to contrast the word 'socialis

<sup>&</sup>quot;Your want of faith in association," he wrote to the National Assembly of 1 "will force you to expose civilization to a terribly agonizing death," 3 L'Humanité (1840). It would be wrong to conclude, however, that this de for secularizing charity meant that Leroux was anti-religious. On the contrary

### FRIEDRICH LIST

with its antithesis 'individualism.'1 The invention of these tw is enough to save his name from oblivion in the opinion of ev sociologist> Cabet had one experience which is rare for a socialist: he had the office of Attorney-General, though only for a short time, it

Far greater celebrity came to him from the publication of hi Le Voyage en Icarie. There is nothing very original in the syst lined there. He gives the usual easy retort to those who quest concerning the fate of idlers in Icaria: "Of idlers in Icaria there none." In his enthusiasm for his ideal he went farther than either or Considérant by personally superintending the founding of a in the United States (1848). Despite many a grievous trial th ment managed to exist for fifty years, finally coming to grief it

Cabet is frankly communistic, and in that respect resemble rather than Fourier, although he always considered himself a of the latter. But this was perhaps due to his admiration for with whom he was personally very well acquainted Although a communist he was no revolutionist. He was a good-nature who believed in making his appeal to the altruistic feelings and was sufficiently optimistic to believe that moral convers not a difficult process.

# CHAPTER IV: FRIEDRICH LIST AND THE NATIONAL SYSTEM OF POLITICAL ECON

By the middle of the nineteenth century the doctrine of Adam had conquered the whole of Europe Former theories were for and no rival had appeared to challenge its supremacy. But du course of its triumphant march it had undergone many chan

1 "I was the first to employ the term 'socialism.' It was a neologism th very necessary term. I invented the word as an anuthesis to 'individ (Grite de Semerer, p. 283) As a matter of fact, as far back as 1834 he had co an article entitled De l'Indiriduelisme et du Socialisme to the Recue encyclopidi tame word occurs in the same review in an article entitled Discours no L actuelle de l'Espat hamain, written two years before. See his complete work pp. 121, 161, 378. For a further account of Leroux see M F Thomas's Pu (1905), a somewhat dull but highly imaginative production-

For Cabet's life and the story of Icaria see Prudhommeaux's two volum

Cabri and Huteire de la Communectif Kurumar. 3 "The communists will never gain much success until they have learned

themselves. Let them preach by example and by the exercise of social vir they will soon convert their adversaries."

had been subjected to much criticism. Even disciples like Say

Malthus, and Ricardo especially, had contributed many impo additions and effected much improvement. Through the influen Sismondi and the socialists new points of view had been gained

volving a departure from the narrow outlook of the master in direction of newer and broader horizons. Of the principles of the Classical school the Free Trade theory

the only one which still remained intact.) This, however, was the important of all. Here the triumph had been complete. Freedom of ternational trade was accepted as a sacred doctrine by the econor of every country. In Germany as in England, in France as in Ru

there was complete unanimity among scientific authorities. socialists at first neglected this topic, and when they did mention was to express their complete approval of the orthodox view.1 A

isolated authors might have hinted at reservations or objections. they never caught the public ear.3 It is true that Parliaments : Governments in many countries hesitated to put these new ideas i practice. But even here, despite the strength of the opposing fore

one can see the growing influence of Smith's doctrine. The libe tariff of Prussia in 1818, the reforms of Huskisson in England (1821-2 were expressly conceived by their authors as partial applications those principles.

'However, there arose in Germany a new doctrine for which t

1 Protection was attacked by Sumondi in Asso. Print , Book IV, chapter at ... considered it a fruitful source of over-production, and uttered his condemnation the abourd deute of nations for self-sufficiency. Saint-Simon considered Protects to be the outcome of international hatted (Guerr, Vol. 111, p. 96), and commend the economists who had shown that "manking had but one aim and that its intere were common, and consequently that each individual in his social connexion in be viewed as one of a company of workers"; (Letter & un Américan, Churet, Vol. 1 pp (86-187) The Saint-Sunonians never touched upon the question directly, h

it is quite clear that Protective rights were to have no place in the universal same this of which they dreamt. According to Fourier, there was to be the completest liber in the circulation of goods among the Phalanatères all the world over (Cf Bourgio Facus, pp. 526-329, Paris, 1905 | We refer to two of them only Augustin Cournes and Louis Say of Nantes Th Sermer, in his Rucherches no les Principes mathimatiques de la Thirrie des Richesus (18 4) a work that a celebrated to-day but which passed unnormed at the time of its publics tion, has errorated the theory of Free Trade. But the reputation which he sulse quently actuated was not based upon this part of the book. Louis Nay (1774-1840) was a brother of J B Say like published a number of worte, now quite beginnen on which he criticised accorat docurace upheld by his brother, whose displeasure he thus increred. We refer to his last work, Ender me la Richers des Nations et Refelentes des principales Errors on Emme politique (18 pt., Le this in the west to which Line

alludes It is probable that Louis Say's name would have remained in obliven but to be because of the forced of the on the contract to the



taya List in another petition, "while other nations cultiva and the arts whereby commerce and industry are exten merchants and manufacturers must devote a great part to the study of domestic tariffs and taxes."

These inconveniences were still further aggravated by the alsence of import duties. The German states were close another, but, owing to the absence of effective central cor open to other nations—a peculiarly galling situation on the open to other manners promise for the Continental Blockade. The peace treaty was scarce when England—so long cut off from her markets and forced when tongrams on the second of the warehouses with her manufactured goods began the Continent with her products. Driven from France by the tive tariff established by the Restoration Government, these offered at ridiculously low prices, found a ready market in many.

The German merchants and manufacturers became thoron alarmed, and there arose a general demand for economic unity a uniform tariff. Public opinion urged a reform which appeared to the first step in the movement towards national unity. Jn 1818 Pro secured her own commercial unity by abolishing all internal nazati retaining only those duties which were levied at the frontier. Her ne fariff of 10 per cent. on manufactured goods, with free entrance R raw material, was not regarded as prohibitive, and was actually approved of by Huskisson as a model which the British Parliament might well imitate. But this reform, confined as it was to Prusia alone, did nothing to improve the lot of the German merchant elsewhere, for the Prusian tariff applied just as much to them as to foreigners This particular reform, far from staying the movement towards uniform import duties, only accelerated 11. A General Association of German Manufacturers and Merchants was founded at Frankfort in 1819 to urge confederation upon the Government The agitation was inspired by Friedrich List. He had been for a short time professor at Tubingen and was already well known as a Journalist. He was nominated general secretary of the association, and became the soul of the movement, He wrote endless petitions and articles, and made personal application to the various Governments at Munich, Stuttgart, Berlin, and Vienna. He was anxious that Austria should take the

lead. But all in vain. The Federal Assembly, hostile as it was to every manifestation of public opinion, refused to reply to the petition of the Petition presented to a meeting of the German princes at Vicana Ia 1830 (With,

LIST AND ECONOMIC CONDITIONS IN GERMANY

merchants and manufacturers. List himself was soon taken up with other interests. Whe was named as the deputy for Reutlingen, his native town, in the state of Wirrtemberg, in 1820, but was banished from the Assembly and condemned to ten months' imprisonment for criticizing the bureaucracy of his own country. After seeking refuge in France he spent a few years travelling in England and Switzerland, and then returned to Würtemberg, where he again suffered imprisonment. Upon his release from prison he resolved to emigrate to America, where Lafayette, whom he had met in Paris, promised him a warm welcome.

Returning to Germany in 1832, after having made numerous friends and accumulated a fortune, he found the tariff movement for which he had struggled thirteen years before just coming to a head. It was to be established, however, in a fashion quite different from what he had expected. It was not to be a general reform, and Austria was not to be leader. Prussia was to be the pivot of the movement, which was to be accomplished by means of a series of general agreements. In 1828 there were formed almost simultaneously two Tariff Unions, the one between Bavaria and Wurtemberg, the other between Prussia and Hesse-Darmstadt. Within the areas of both of these unions goods were to circulate freely, and a common rate of duty was to be established at the frontiers. From the very first there was a rapprochement between the unions, but a definite fusion in one Zollverein was only decided upon on March 22, 1833. The new regime actually came into being on January 1, 1834. Even before that date Saxony and some of the other states had already joined the new union.

Thus by 1834 the commercial union of modern Germany was virtually accomplished. The Zollverein united the principal German states, Austria excepted, and under this regime industry, assured of a large domestic market, increased by leaps and bounds. But a new problem presented itself, namely, what system of taxation was to be adopted by the union as a whole. In 1834 the liberal Prussian tariff of 1818 was adopted without much opposition, but nothing more was attempted just then. Many of the manufacturers, however, especially the iron-smelters and the cotton and flax spinners, demanded a more substantial means of protection against foreign competition.> This clamour became more intense as the need for iron and manufactured goods increased the demand for raw material. Hence from 1841—the date of the completed Zollverein—a new discussion arose between the

<sup>&</sup>lt;sup>3</sup> Baden, Namau, and Frankfort joined in 1835 and 1836. But there still remaine outlife Mecklenburg and the Free Towns of the Hanse, Hanover, Brunswick, and Cham. Oldenburg.

partisans of the status quo, inclining towards free exc. advocates of a more vigorous protection.

List's National System, advocating Protection, appeared logical moment. AThis delightfully eloquent work is ful borrowed from history and experience. The peculiar contemporary Germany was the one source of List's ins since the work was written for the public at large it is rem from all traces of the 'schools.' (Germany's industry, the . her future greatness, had found scope for development only peace which followed 1815. It was still in its infancy, and hard hit by the competition of England, with her long exper perfected machinery, and her gigantic output. This was important fact for List. England, whose rivalry appeared is ous, had closed her markets to German agriculturing by h Laws, while industrial competition was out of the question. To nations, France and the United States, destined, like Germ become great industrial Powers, indicated the path of emanci-France, warned by the results of the Treaty of Eden (1700) as evils of English competition, hastened to defend her fortunes by

of prohibitive tariffs. Still more significant was the example of United States, whose attuation was in all respects comparable that of Germany In both cases economic independence was ha yet fully established, the natural resources were abundant, the ie for was vast, the population intelligent and industrious, with the he of a great political future. Though scarcely free as yet, the America made the establishment of industry and the shutting out of English goods by means of protective tariffs their first care of thus there was everywhere the same danger, the tyrannical supremicy of England and the same method of defence, Protection,) Would Germany alone

stand aloof from adopting similar measures? (that is the essential point of Lut's them ) But these very practical bens tended to durage the well-known arguments of those cenns matt whom List refers to collectively as "the wheal." The 'wheal' managed that nations as well as individuals should buy in the cheapest markets and devote all their energies to producing part these commodities which yield them the greaten gim Industry can eely grow in proportion to the amount of capital saved, but a protect tive reguse bunders accumulation and so defeats its own end. To OFFICERE the objection it is not receiving to contact them one by one, he the discussion may be carried to an entirely different feld The 'arbad' abyes a critain abel of commercial policy as the base of its thous, namely, the increase of consumable wealth or as has

puts it, in an awkward enough fashion, "the increase of its exchangeable values."1 This fundamental point of view must be changed if we would avoid the consequences which naturally follow from it. List realized this, and in his attempt to accomplish the task he gave expression to new truths which make his book one of lasting theoretical value and ensure for it an important place in the history of economic doctrines.

In fact, he introduces two ideas that were new to current theory, namely, the idea of nationality as contrasted with that of cosmopolitanism, and the idea of productive power as contrasted with that of exchange values. List's whole system rests upon these two ideas.

(a) List accuses Adam Smith and his school of cosmopolitanism. Their hypothesis rested on the belief that men were henceforth to be united in one great community from which war would be bartished. On such a hypothesis humanity was merely the sum of its individuals Individual interests alone counted, and any interference with economic iberty could never be justified. But between man and humanity must be interpolated the history of nations, and the 'school' had forgotten his Every man forms part of some nation, and his prosperity to a large extent depends upon the political power of that nation.

Universal entente is doubtless a noble end to pursue, and we ought

to hasten its accomplishment. (But nations to-day are of unequal strength and have different interests, so that a definite union could only benefit them if they met on a footing of equality.) The union might even only benefit one of them while the others became dependent. Viewed in this new light, political economy becomes the science which, by taking account of the actual interests and of the particular condition of each nation, shows along what path each may rise to that degree of economic culture at which union with other civilized nations, accompanied by free exchange, might be both possible and useful.

List's expression "exchangeable value" merely signifies the mass of present advanlagra-the material profit existing at the moment. It is not a very happy phrase, and it would be a great mistake to take it literally or to attach great importance to it. la his Letters to Ingersell, p. 186, he gives expression to the same idea by saying that Smult's school had in view "the exchange of one material good for another," and that its concern was chiefly with "such exchanged goods rather than with productive forces." We note that Last never speaks of Ricardo, but only of Smith and Say. whose works alone he seems to have read.

to la the Italian and the Hamestic cities, in Holland and England, in France and America, we find the powers of production and consequently the wealth of individuals frowing in proportion to the liberties enjoyed, to the degree of perfection of political and social improtions, while these, on the other hand, derive material and sumulus for their further improvement from the increase of the material wealth and the productive power of individuals." (Ashmed System, p. 87.)

Vite defines "foolutical or national economy" as "that which, emanating from the

List distinguishes several 'degrees of culture,' or , to-day call 'economic stages,' and he even claims a sequence for his classification into the savage, the pass cultural, the agricultural-manufacturing, and the agric facturing-commercial stage. A nation becomes 'norma it has attained the last stage. List understands by this th ideal that a nation ought to follow. As a matter of fact, he it to possess a navy and to found colonies only on cond

kept up its foreign trade and extended its sphere of influ only at this stage that a nation can nourish a vast populat a complete development of the arts and sciences, and retai Address of pendence and power.) The last two ideas constitute the n of nationality. Not all nations, it is true, can pretend to plete development. It requires a vast territory, with abundan resources, and a temperate climate, which itself aids the deve

idea and nature of the nation, teaches how a given mehon, in the present sta world and its own pecial national relations, can maintain and improve in recommendations. conditions 3 (National System, p. 99.) Continuous > [rosuona system, p. 99.]

It was the example of England that gave List the idea, but the whole con-

to based upon a historical error. England postered a navy, had founded colonic a manu upun a muunusi error, enganu penenett a mary, ma muunu emuusi developed her international urade long before she became a manufacturing n severages are manufactured as the roug serve me secure a manufacturing to fine the time of Last various categories of national development have been proposed. once use time or sait various caregories or national development nave occur prop Hildschrand speaks of periods of natural economy, of money economy, and of o states and speam of periods of natural economy, or money economy, and or economy (Jashkahar for Nahanal Octamum, Vol. II, pp. 1-24). Bucher proposed Princip of donestic economy, of town economy, and of national economy as a net persons a manuscreaming, or time economy, and or manuscreaming, as a second economy or use (see Education of the Charactery), 370 co., p. 100). Sometr, in an turn, case visually criticated the classification in his book Dry material applications (Vol. 1, p. 1).

Juny criticates and cassingation in an accost ter powers regressions (+ or, 1995). But would that which he proposes himself be much better? scoping, 1993), one would that which he proposes numer or much better.

No one, we believe, has as yet remarked that has borrowed this enumeration of Now one, we occure, and as yet remarked that Last DOPFOWER that expunerations that can complete the different economic states, almost word for word, from Adam Smith. In chapter one uniferior remotine trace, aimore word for word, from Adam Smith. In enapier of Book II, speaking of the various employments of capital, Smith clearly distinguished the testing of evolution—the agricultural state, the agricultural state, the agricultural state, the agricultural state, the agricultural state and the agricultural state agricultural turing, and the agricultural-manufacturing-commercial South considered that this date rage was the most detrable, but in his opinion to redication must depend upon the natural course of things.

e naturat source or tangs.

The term 'normal' is one of the vaguest and most equivocal we have in political economy. It would be well if we were rid of it altogether. What contriverse have secondly, it studes to wen it we were rise on a subjection. This commonwable many defends of a formal wage or a hormal price! One of the third ments of the Madematical school fee in the success with which it has effected the additional of the skea of an equilibrium price. The idea of a normal nation is about as vague as that of a normal wage, and is a curious that our author destribe as as vego, as use, u. a normal wage, and n is curson that our source which according to his own account. were at the morrors when he wrote only realized by one pattern, namely, England.

Tr at the moment when he wrote only trained by one nation, namely, enquently \$7,992. The acts of national power is, moreover, not completely ket sight of by South, as it proved by the following passages: The sixther and, so for as power depends upon refers, the power of extry country must always be in proportion to the solution of in annual model. on prices upon terms, the power of every country must away te in proportion or on whice of its annual produce. But the great object of the political recognity of every country is to increase the riches and power of that country. (Wath of Nahan,

of manufactures.1 But where these conditions are given then it becomes a nation's first duty to exert all its forces in order to attain this stage. Germany possessed these desiderata to a remarkable degree. All that 5was needed was an extension of territory, and List lays claim to Holland and Denmark as a portion of Germany, declaring that their incorporation would be regarded even by themselves as being both desirable and necessary. Accordingly, he wished them to enter the Confederacy of their own free will. \*\*

Vilence the aim of a commercial policy is no longer what it was for Smith, viz, the enriching of a nation. It is a much more complex ideal that List proposes, both historically and politically, but an ideal which implies as a primary necessity the establishment of manufactures.

(b) This necessity becomes apparent from still another point of view. ? The estimate of a nation's wealth should not be confined to one particular moment. It is not enough that the labour and economy of its itizens should at the present moment assure for it a great mass of xchange values. It is also necessary that these resources of labour and f economy should be safeguarded and that their future development hould be assured for "the power of creating wealth is infinitely more mportant than the wealth itself." (A nation should concern itself with the growth of what List in a vague fashion calls its productive orces even more than with the exchange values which depend upon hem.) Even a temporary sacrifice of the second may be demanded or the sake of the first. In these expressions List merely wishes to imphasize the distinction between a policy which takes account of a action's future as compared with one which takes account only of he present. A nation must sacrifice and give up a measure of material property in order to gain culture, skill, and powers of united

9: 143) List has no difficulty in allying his patriotic idealism with the practical side of his nature.

On the question of the industrial vocation of the temperate zone and the agricultural vocation of the torrid compare National System, Book II, chapter iv. "The German nation will at once obtain what it is now in need of, namely, Sisteries and naval power, maritime commerce and colonies." (Natural System,

CLut deliberately distinguishes between exchange values and productive forces, but the dutmetion is by no means a happy one. For a policy which aims at encouraging productive forces has no other way of demonstrating its superiority than by showing an increase of exchange value. The two notions are not opposed to one another, and in reckoning a nation's wealth we must take some account of its present Hate as well as of its future resources. In his Letters to Ingersell (cf. Letter IV, referred to above) he distinguishes between "maintral and intellectual capital" on the one hand and "maintal productive capital" on the one hand and "maintal productive capital" on the other (Adam Smith's idea of capital). "The productive powers of the nation depend not only upon the latter, but also and thiefly upon the former."

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production; it must sacrifice some preensure to itself future ones, vi

But what are these productive forces w nent source of a nation's prosperity and the With particular insistence List first of al political institutions, freedom of thought, free of the Press, trial by jury, publicity of justic tion, and parliamentary government. All these

salutary effect upon labour. He is never wer the Joss of wealth caused by the Revocation of by the Spanish Inquisition, which, says he, "h death upon the Spanish navy long ere the En death upon the opains havy now as the fleets had executed the decree (p. 88). He unit and his school of materialism, and condemns the

reckon those infinitely powerful but perhaps less ca But of all the productive forces of a nation none, can equal manufactures, for manufacture develop the a nation to a superlative degree.

The spirit of striving for a steady increase in mer After spirit of striving for a steady increase in measurements, of emulation and of liberty, characteristics, characteristics acquirement, of emulation and of uncerty, characteristics and commerce.

An a commerce of the ocyones to manuacture and commerce. At a confidence of mind, awknowledge, and a confidence of mind, awknowledge, and a confidence of mind, awknowledge, and a confidence of mind, awknowledge, awknowled to mere raw agriculture, duaness of muno, awawaru, obstituate adherence to old notions, customs, methods; a want of culture, of prosperity, and of liberty prevail National System, p. 117.

ut Method Subsect p. 117.

T. Dijurdy as we think for on more than one occasion Smith did late of the contract of partial and and accommon of partial amountaines from the Compute at we think for on more than one occasion smith dist the property of Political Servicians and the following them the services are the services as the services are services are services are services as the services are se moral force. He dated the prespectify of English agriculture from the beautiful from their book sections, and the prespective of English agriculture from the proposetion. He consists that from attract consistent field proposetion of the consists that the consistent field the consists of the consistency of the consis Among were fired from their long servinde and became benefits that the properties. He remains that there are the properties generated as a state of the property quester than the combination of the properties of Commerce and manufactures have a their customers that the best of contests and manufactures have as the gradual interduction and easily according to the contests and according to the contests and according to the contests and Commerce and manufactures have a the granual interduction and reasons are the find then the laboration and reasons are also assumed to the commerce of the com some and food foverment, and with them the liberty and security of the forest factors and security of the forest factors and security of the following factors and security of the following factors and forest factors and forest factors and factors among on stabilisms of the country. That, though it has been the least of the first stabilisms of the country. That, though it has been the least of the rest. As I stone is the only writer that it is a stabilism of the country of the first stabilisms of the American Colonier, Stabilisms of the American Colonier, Stabilisms of the first stabilisms of the colonier o 9. 303) Aprealing of the American colonies, Nanth (Lineau, Vol. 11, P. 73).
the French colonies, "The colonies of the Equality of Inferior to the Special Participants and the Colonies," the colonies of the Colonies of the Colonies, and the Colonies of the Colo

the trust that although their fertility is inferior to the Spanish, Perruptive States and Associated States an the French Monte, "the political militations of the English retainer have been about the to the unprovement and tuliforation of the English retainer have been other than a state of the Land Man Anticom." However, I see have Commerce the Land Man Date of any of the Land Man histographs to the suppose transit and relivation of the land than those of any of strength across the suppose transit and relivation of the land than those of any of strength across the suppose of the Once they fitting a "How could List have fargories the celebrary designed to the property of Covers Datas largely to the List springer of the celebrary designed to saw his included to be found of his section of his section of his largely to the List springer of the largely springer of the larg Similar Britisher for property of circul British largely to its Igal spaces, but the definition artistic forms of the British and all and which began prices, while the definition artistic forms of the Resistance of the Resistanc Les seconds scharrents of the Remains of their fath security of the Remains of their fath security on the Remains of their fath security on the second of th Annual Urcas periodic pric as every man that or some empty as a state sufficient to make any country flours, account empty as a more subscent to make any country noursely. the same time that the facine

Manufactures permit of a better utilization of a country's products than is the case even with agriculture. Its water-power, its winds, its minerals, and its fuel supplies are better husbanded. The presence of manufactures gives a powerful impetus to agriculture, for the agriculturist profits even more than the manufacturer, owing to the high rent, increased profits, and better wages that follow upon an increased demand for agricultural products. The very proximity of manufactures constitutes a kind of permanent market for those agricultural products, a market which neither war nor hostile tariffs can ever affect. It gives rise to varied demands and allows of a variation of cultivation. which results in a regional division of labour. This enables each district to develop along the most advantageous line, whereas in a purely

altural country each one has to produce for his personal conption, which means the absence of division of labour and a conseat limitation of production.1

dustry for List is not what it was for Smith. For him it is a social e, the creator of capital and of labour, and not the natural result bour and saving. It deserves introduction even at the expense of imporary loss, and its justification is that of all liberal institutions, iely, the impetus given to future production. In a beautiful comson which would deserve a niche in a book of classical economic tations he writes as follows:

It is true that experience teaches that the wind bears the seed/ om one region to another, and that thus waste moorlands have een transformed into dense forests; but would it on that account e wise policy for the forester to wait until the wind in the course f ages effects this transformation?2

tariff, apparently, is the only method of raising the wind.

ly placing himself at this point of view List is able to defeat the st powerful arguments used by his opponents. All we can say in ly is that manufactures will not produce these effects if they have already a raison d'être in the natural evolution of a nation-that is, hey do not demand too costly a sacrifice. The land on which the tler sows his corn can scarcely be regarded as ready to receive it if acks the power to make it grow.

List's Protectionism, as we may guess from what precedes, possesses ginal features. It is not a universal remedy which may be inferently applied to every country at any period or to all its products. is a particular process which can only be used in certain cases and Compare chapters vii and xv, where he treats of the manufacturing industry in

relation to each of the great economic forces of the country. National System, p. 87.

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under tertain conditions. Subjected are some of the traits of the Protectioning which List himself has wall (f) The Protectional vitem can only be justified at the indistrial education of a national distribution of a national distribut the summany remains to a toronto. The star English, whose industrial education is

throng one can congress, whose commission was now well before. Not should it be attempted by countries that have force, we some a we attempted by continue that have a forced by for an industrial c altitude of the friplical time sexts destined to the barries of natura as un sequest con- semi-oration to the formula to energy while these of the emperate zone are accuromed to energy and saried forms of production, (2) But a further furtheation is also necessary. It must

Tay this a mining painted on it also become, it must be nation's progress a retaided by the competition of a that the nation's presence is retained by the compension of a short hat already advanced father industrial path, s. The reason for this is the same as that why or a boy in wrenting with a strong man can scarcely be victor or a boy in systems with a strong man can scarcely be victor offer steady resistance. This was precisely the case Germany in her structure with England. (It is interesting to come Acting the measurement of dumping in List letters to log-Dumping, which has received much attention in connection Journal of the first movement, consist in selling as a low price in foreign man in order to keep up prices in the home market.

A School Friday p. 150.

\*\*The property of the process be absured that where any technical including cannot be a more than processing of 40 to 60 per force, and cannot be a more than a constraint of the process of the process. established by means at an output procession of 40 to 60 per cent, and cannot be constituted for the constitution of 40 to 60 per cent, and cannot be constituted for the constitution of 60 to 60 per cent, and cannot be constituted for the constitution of 60 to 60 per cent, and cannot be constituted for the constitution of 60 to 60 per cent, and cannot be constituted for the constitution of 60 to 60 per cent, and cannot be constituted for the constitution of 60 to 60 per cent, and cannot be constituted for the constitution of 60 to 60 per cent, and cannot be constituted for the constitution of 60 to 60 per cent, and cannot be constituted for the constitution of 60 per cent, and cannot be constituted for the constitution of 60 per cent, and cannot be constituted for the constitution of 60 per cent, and cannot be constituted for the constitution of 60 per cent, and cannot be constituted for the constitution of 60 per cent, and cannot be constituted for the constitution of 60 per cent, and cannot be constituted for the constitution of 60 per cent, and cannot be constituted for the constitution of 60 per cent, and cannot be constituted for the constitution of 60 per cent, and cannot be constituted for the constitution of 60 per cent, and cannot be constituted for the constitution of 60 per cent, and cannot be constituted for the constitution of 60 per cent, and cannot be constituted for 60 per cent, and cannot be constituted continue to maintain ideal under a continued protection of co. 50 per cent. E.
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Sockly in patients of the third power are being power and the cent. as Solely in nations of the latter kind, namely, those which power and the never asymmetry conditions and many for establishing a manufacturing of the conditions of the condi stay format and material positions and means for etablishing a manufacturing and extension of executive and means for etablishing a manufacturing and executive and executive and excluded executive and Dance of their own and of finetcy statuting the highest degree of critication and other married by the married property and Political Property for their first stated or secured to the commentation of a formal manufacture. Because their a straight for their first stated to the commentation of a formal manufacture.

development of material property and political power, but which are retarded in the contract of a foreign manufacturing Power which are retarded in the contract of the contra their program by the competition of a longer manuscriting from which is already and address than their program, by the submitted from the competition of a substitution of a s further astracted than their own—only in such rations are commercial restrictions and proceeding their own manufacturing

Presidency a manufactured good depends very largely upon the quantity formularship in the appendix of the period very largely upon the quantity formularship into more than and fell of manufacturing trains. This has exercise duced—blit by upon the specialism of the law of morrosing return. The law exercises and full of morrosing return. The law exercises and full of manufacturing power. The law exercises are specially appreciately produced for the shown exercises have a monter case. An Explosion which have a more case as a second of the case of the shown exercises have a more case. Consumerate influence upon the rise and tail of manufacturing power. An Engineer in State of Influence about the same fluence has a variety and the same fluence has a variety and the same fluence has a variety of Influence and the same fluence has a variety of Influence and the same fluence has a variety of Influence and the same fluence and t manuscurer producing for the home market has a regular sale of 10,000 yants of 6 dollar a part in superior bring this guaranteed by his sales in the homostate, the cost of producing a further quantity of score pards for the homostate producing a sund a dollar a part and a dollar a part and a sole part of the foreign and a dollar a part and a sole part of the foreign and a dollar a part and a sole part of the foreign and a sole part of the foreign and a sole part of the part part of the part part of the part part part parts. market will be considerably reduced and would yet: If in a profit even were be to their faces of \$40 far a part. And even shough be should not be madigately market to faces the faces the faces when he has possed the force. sell for 5 or 3 dollars a partl. And even though he should not be making any professional distributions for a feel partly confidence bout the figure when he has ableed the formation and driven him east of the deal absences.

It is a finished to be a feel of the deal absences the formation and the fo Just toes, he can feel pressy confident about the fitting when he has ruleed the foreign producer, and driven him out of the field a flogether, we last thinks that the foreign disposality, it is from manufacturing to a second surface of the fitting that thinks that the shops have Producer and driven him out of the field aftergriber, "List thinks that can show a new common with author to a new country without any occurrence of protections of the common with author accountry and the country without any occurrence of protections." impossible it also manuscripts in a new country without any measure of protects of compute with other countries whose industry is better etablished. But this is a

Even in that case Protection can be justified "only until that manufacturing Power is strong enough no longer to have any reason to fear foreign commercition, and thenceforth only so far as may be necessary for protecting the inland manufacturing power in its very roots "1

(4) Lastly, Protection ought never to be extended to agriculture. The reasons for this exception are that on the one hand agricultural prosperity depends to a great extent upon the progress of manufactures-the protection of the latter indirectly benefits the former-and on the other hand an increase in the price of raw materials or of food would injure industry. Moreover, there exists a natural division which is particularly advantageous to the system of cultivation pursued by each country, a division dependent upon the natural qualities of their soils, which Protection would tend to destroy. This territorial division does not exist for manufactures, "for the pursuit of which every nation in the temperate zone seems to have an equal vocation."

One might experience some difficulty in understanding the sudden tolk-face of List in favour of free exchange in agriculture did we forget the particular situation in Germany, to which his thoughts always returned. This is equally true of many other points in his system. Germany was an exporter of corn and suffered from the operation of the English Corn Laws. German agriculture needed no protection, but suffered from want of markets, and List would have been very happy to persuade England to abandon her Corn Laws. Agricultural protection was only revived in Germany towards the end of 1879, when the agriculturists thought they were being threatened by foreign competition. 15/2/3

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III. SOURCES OF LIST'S INSPIRATION. HIS INFLUENCE UPON SUBSEQUENT PROTECTIONIST DOCTRINES

The question of the origin of List's Protectionist ideas has frequently of the arguments that has been most frequently used by Bratish manufacturers in

the past in demanding protection against American competition. We would like

to know what List would have thought of this. Anhanal System, p. 144, and the whole of chapter xvi of Book II He considered that "it would be a further error if France, after her manufacturing power has become sufficiently strong and established, were not willing to revert gradually to a more moderate system of Protection and by permitting a lamited amount of competiton incite her manufacturers to emulation," (Ibad., p. 249.)

hid, p. 253, and especially p. 162, etc., where with a sudden change of front be declares himself in favour of Free Trade in agriculture, and employs the arguments which Free Traders had applied to all products. Compare again p. 830, where he declares that agriculture. "By the very nature of things is sufficiently well protected against foreign competition."

been raised. The works of the Frenchmen Dupla an terms carried the manage of the estimatories origin and thousandly gave him some material for reflection, but confirmed in his expression to howevery by the men : in America. While there he came into intimate cont. members of a security which had been founded at Philade reconstant of estimal infurty. The founder of this an American stateman named flamilion, the author of a the part upon manufactures, who as in back as 1791 had the righthening of Fourtier, were as are once as 1791 may American industries I Hamilton's argument, as Lat fully reheart a striking similarity to the there of the National Syst Hamilton's Rever on the Formatement and Province of Visual Assuming a response on the Favorina and Favorina of Manual Rolls and the preparation Report on the creation of a Manual Rolls and a Manual Rolls a will as the erry important Miport on the response a Automat came as on fisher Cariat, was betterprised by 1913 for the Calimbia ( on Fully Carlie, and primarily problemed to 1915 for the Columbia 8 Foreign an early according relative columns, through the part affects of Mr. Samuel and A. Samuel and Sa First to the early accounts reducer through the earl offers of M. Samuel, M. A It is very probable that Lot had eved to mark of mother American From Manner of the Not extense if Dente ferman, by Christ Fairek Nedl, Edithor, 1857, when is be the uppers of the majority of smirer who during the last few 1850, and the same of t Arms to be the epision of the majority of written who during the lists few processing from the property of written who during the lists few processing from the first processi especially concerned threat-her with the study of Lat's openion (May Here, May Foods). Lat, and M. Gur. Robber in his book Foods, and the study of Lat's openion (May Here, and a second of the second Life of product Lists and M. Girt Knöley in the Dook Problematical or French Linguist 1999). But the regard Raymond is the only impure, as a flow for Problematical Control of C Legion (1992) Hell to regard Kaymond as he only impury, as a done by Rain in his Medical Set Declarate, Recent to 28 mere exact actions, which from the Rain control of the In this follower for therebox, seems to us more executions. Apart from the fact arguments likes are not particularly original and that Lat had force from a comment of the comments of the com Algorithmical Mest are not partnerships oriented and that Lot had first more per-agence by a Protectional entorgonistic Last never quotes him at all. On the C America in a Protectional environment, but never quotes him at all. On the Carlot as Report of States and Carlot and Carlot and Carlot as Report of States as Report of States and Carlot a Lines to termit (the expressed productive forces was probably between the forces of France (Fact forces) shadow propriate to Force d b France (Fact for), which open the forces of the forces of the forces (Fact for forces). into Organ's Standard programs do Frent & D Frenc [Pint, 1877].

In this the following worth. This forms in introduction to a work article which of Course of Frenc 2 feets or greater By program free! I not a work entitled The French and American American free a free combined forces. low ast Commonal Form of France By Producing from I mean the combined force and a state of the world of Africations, or of the world of Africations, or of the world of the state of the st

", merca, samal, and muter applied to the work of spreadure, of andatry, or of con," merca, "figure, the shade of protecting of share and some in very notally reof on participation of the following words become for the share following words become of the share following words the following words to share of the way of the following more shade of the share of the

and had there found a confirmation on the 184 to Fener, had read they two authors from a fetter writer allowed to make a fetter writer and the second of the 184 to 184 to

iladelphian society, which was then presided over by Matthew Carey to father of the economist of whom we shall have to speak by and himsediately after List's arrival in America inaugurated an active mpaign on behalf of a revision of the tariffs. Augersoll, the vice-tident, persuaded List to join in the campaign, which he did by bidshing in 1827 a number of letters which caused quite a sensation.) are are really just a resume of the National System. The policy which the course of a few years he was to advocate in Germany he now commended to the consideration of the Americans.

But facts were even more eloquent than books, and what chiefly use the practical mind and the observant eye of List was the material cess of American Protection, just as in Germany he had been imtested by the beneficial effects which temporary Protection enforced the Continental Blockade had produced there.

Far from being injurious to the economic development of the United ates, it seemed as if Protection had really helped it. What it actually dwas to quicken by the space of a few years an evolution which fature herself was one day bound to accomplish. So vast was the ritiory, so abundant the natural resources, and so advantageously tree they placed for the application of human energy that no system, owever defective, could long have delayed the accumulation of wealth. be similar condition of Germany lent colour to the belief that the time experiment earried on in similar circumstances would also ucceed there.

Accordingly, List's work, though not directly connected with any nown American system, is the first treatise which gives a clear indication of the influence upon European thought of the economic extinces of the New World.

In a beautiful paragraph in the National System List has himself confessed to this

When afterwards I visited the United States, I cast all books aside—they would only have tended to mislead me. The best work

valte enough to imbut one with the idea of nationality. Moreover, Protectionists' is familia are extremely limited in number, so that they do not differ very much from one epoch to another, and it is a comparatively easy task to find some precursors of Friedrich Line.

Published in a volume entitled Osiliars of a New System of Political Economy, on a Smith Short in a Volume entitled Osiliars of a New System of Political Economy, on a Smith Short of the States of t

This was the consideration that influenced him in adopting a Pretectionist attitude, although faitherto he had regarded himself as a disciple of Smith and Say, (Lating is Ingraell, n. 170)

. .

on political economy which one can read in that in on function economy where the constraint when a second life. There one may see wildernesses from mighty states, and progress which requires continue is on there before one's eyes, etc. that from the condition on their typic one error, error may men me common hunter in the rearing of cattle, from that to agriculture the latter to manufactures and commerce. There one tents increase by degrees from nothing to importan There the umple peasant known practically far better the After the unique persons among praemany to other machine sayant of the Old World how agriculture and reacute savants of the contraction from agreement and re improved, he endeavours to attract manufacturers and a his vicinity. Nowhere so well as there can one learn the it no vicinis. America we will as there can one searn une in of means of transport, and their effect on the mental and life of the people. That look of actual life I have carp diligenth studied, and compared with the results of my studies, experience, and reflections, (Though from this point of view List's Protectionsim seems onnected with the most modern of economic units, a still cle

inks him to the Mercantilism of old. Nor did he ever dassern we for the Mercantilists, especially for Colbert, the accused ed Say of having misunderstood them, and he declared that emselves more justly deserved the title of Mercantillus becau ir attempt to apply to whole nations a very simple concepich shey had merely copied from a merchant's note-book, aam advice to buy in the cheapest and sell in the dearest markets nguishes between two classes of Mercantilists according as the affuenced by one or other of two dominating ideas. On the o we have those who emphasize the importance of industri tion, which is the dominant note in List's philosophy. (This ide ta quite taken the place of the older idea of a favourable balance or ide, and has been adopted by such a Liberal thinker as John Stuart Il, whereas the other has been definitely rejected by the sciences thermore, the Mercantilism of the seventeenth century was a special rument employed in the interests of a permanent policy which exclusively national; while List's Protection, according to his own ion, was merely a means of leading nations towards the possibility ion on a footing of equality. It was a mere transitory system, a

s system cannot be regarded as the inspirer of modern Protecny more than he himself can be regarded as a direct descendant old Mercantilists. Even in Germany, despite the great literary of his work, its influence was practically nil, unless we credit it slight increase of taxation upon which the Zollverein decided and couple with it the Protectionist campaign afterwards National System, preface, p. 54.

carried on by List in the columns of his newspaper.1 But the Liberal reforms carried out by the English Parliament under the Premiership of Peel were during that very same year crowned by the abolition of the Corn Laws. This measure caused much consternation throughout Europe, and the confirmation which Cobden's ideas thus received influenced public opinion a good deal and gave a Liberal trend to the commercial policy of Europe during the next few years. The regime of commercial treaties inaugurated by Napoleon III was an outcome of this change of feeling.

Vrowards the end of 1879 a vague kind of Protectionism made its appearance in Europe. Tariff walls were raised, but they never seemed to be high enough. One would like to know whether these new tariffs, established successfully by Germany and France, were in

any way inspired by List's ideas, 1812

It does not seem that they were. Neither of the two countries which have remained faithful to a thoroughgoing Protection any longer needs industrial education. Both of them have long since arrived at that complex state which, according to List, is necessary for the full development of their civilization and the expansion of their power. Were he to return to this world to-day, List, who so energetically emphasized the relative value of the various commercial systems, and the necessity of adapting one's method to the changing conditions of the times and the character of the nation, but always laid such stress upon the essentially temporary character of the tariffs raised, would perhaps find himself ranged on the side of those who demand a lowering of those barriers in the interest of a more liberal expansion of productive forces. Has he himself not declared that "in a few years the civilized nations of the world, through the perfection of the means of transport, through the influence of material and intellectual ties, will be as united, nay, even more closely knit together, than were the counties of England, a hundred years ago"?1

Even the profound changes in the international economic situation during the nineteenth and twentieth centuries fail to supply a serious justification for the Protectionist policy of the great commercial nations, and the essential traits of this new regime differ toto calo from the out-

The Zollrennublatt, which was published by him towards the end of 1843-

Nahonal System, p. 230. We do not by any means imply that the Germany of Liv's day was in greater need of Protection than the Germany of to-day. Indeed, if we accept Chaptal's view, we may well deny this, for, writing in 1819, he said that Saxony occupied a place in the front rank of European nations in the matter of industry. Speaking of Prussa, he declared that the industry of Aix-la-Chapelle alone was enough to establish the fame of any nation (De l'Industrie française, Vol. I, p. 75). It is to be remembered that the great industrial prosperity enjoyed by Cermany between 1871 and 1914 was based on a very liberal economic system.

lines supplied by List. Far from allowing agricul naturally, there has arisen the cry for some protection which has served as a Pretext for a general reinforcer many cases, notably in France and Germany. The American corn has hindered European agriculture from the advancement of industry as List had predicted. Moo sine aux ancessies on minimaly as another parameter. According as they do the taxation of both agricultural and is ducts, imply a conception of Protection entirely differen He would have confined Protection to the most important national production—to those industries from which the secondary branches receive their supplies. Only on this gre he have justified exceptional treatment. It is an exemial conception, and what he sought of Protection was an energy Lant and an agent of progress. But a tariff which indifferent every enterprise, which no longer datinguishes between the i and the fertilized industries, and increases all prices at the art can have only one effect-a loss for one producer and a f Another. Their relative positions remain intact. It is no le means of stimulating productive energy; at as merely a general ment of defence against foreign competition, and is estentially scryatise and timorous. To speak the truth, tariff duties are never of the nature of

application of economic dectrines. They are the results of a c promise between proceeds interests which often enough have not in common with the general interest, but are determined by pur political, financial, or electoral consulerations. Hence it is followed. bego for a trace of Lan's diatines in the Protective tariffs actually operation. He influence, if indiced it is perceptible anywhere, mu operation for an order of the subsection of the whole the subsection of the subsecti The only complete expension of Prosectionian that has been given

to size Lat's to that if Carey, the American recommit. Carey was at first a Free Teater, but in 1855 became a Protectioning, and ha ulest, which were expected in his great work The Franges of Sant Sone, handled as a standard and and beauties of unduling about he given a

as the made vegine. Case the most of parents began to referre you of providing the state and head of special to be set of special to be set of state of state of state of state of state of special to be set of state of the Endry and Extends much school of borney of any persons, one of any we have an executed, and above product to taking to that story my of the first story. descend the had summigrately are of the greatest supervised as the party of the first had ment in an executive entry are in the ground importance as regard two beautiful and an executive and as expected management and producing an fig. force part of the contract and producing as the force part of the contract and producing as the force part of the contract and producing as the force part of the contract and the cont there at the de regards benefits the properties on the same per series, moreover and there became the same per series, are more per series, and the same per series are smaller processed and Grouper, all state the Reportant to solve of seat all the south of the land drive of the south o

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published in 1858-59, bear a striking resemblance to those of his German predecessor,

-(Carey, like List, directs his attack against the industrial preeminence of England, and substitutes for the ideal of international division of labour the ideal of independent nationality, each nation devoting itself to all branches of economic activity, and thus evolving its own individuality. According to him, Free Trade tends to "establish one single factory for the whole world, whither all the raw produce has to be sent whatever be the cost of transport."1 The effect of this system is to hinder or retard the progress of all nations for the sake of this one. But a society waxes wealthy and strong only in proportion 25 it helps in the development of a number of productive associations wherein various kinds of employments are being pursued, which increase the demand for mutual services and aid one another by their very proximity. Such associations alone are capable of developing the latent faculties of man's and of increasing his hold upon nature. These two traits help to define economic progress. (Under a slightly different form we have a picture of the normal nation or the complex State so dear to the heart of Friedrich List-an ideal of continuous progress as the object of commercial policy being substituted for one

of immediate enrichment.)

Wollowing List, but in a still more detailed fashion, Carey sought to show the beneficial effects that the proximity of protected industry would have upon agriculture. But unfortunately there are other arguments upon which Carey lays equal stress that are really of a much more debatable character.

Trotection, according to Carcy, by furnishing a ready market; for agricultural products, would fire agriculture from the burden of an 'agricultural products, would fire agriculture from the burden of an 'tarbitant cost of carriage to a distant place? This argument, which List's merely threw out as a passing suggestion, continually recurs with the American author. 'Join, as Stuart Mill justly remarked,' if America consents to such expenditure it affords a proof that the procures by Jacans of international exchange more manufactured goods than if she 'lasantfactured them berself.'

Another no less debatable point: (The exportation of agricultural Products, any Carey, exhausts the soil, for the products being consumed was from the spot where they are grown, the fertillizing agents which they contain are not restored to the earth; a manufacturing population in the immediate neighbourhood's would remedy this But,

2 Ibid.

Carry, Principles of Social Science.

National System, Book II, chapter is

<sup>\*</sup> Principles of Political Economy, Book V, chapter x, para 1.

ras John Stuart Mill again remarks, a and justly enoug Trade that forces America to export cereals. If she because exhaustion of soil appears to her an insignificant compared with the advantage gained by exportation. Carcy, finally, was one of the first to discover in Prote-

of increasing wages. Once the complex economic State there arises a keen competition between the misprenaus the service of labour—a competition which naturally benefit man. But this advantage, granting that it does exist, is

counterbalanced by the increased price of goods. We see that Carey, although sharing the fundamental ec of List, employs arguments that are much less valid. (Both

of exposition and in the scientific value of his work, the Germa shows himself vasily superior to his American successor). H. much more moderate. Carey is not content with industrial Pro he demands agricultural Protection as well, and the duties, thou jace a little higher than those proposed by List, seem hardly sulfor him.

Despite all this similarity of views, Carey does not owe his in tion to Lint.) He was acquainted with the National Tribon and he qu it. But American economic literature had already supplied him analogous suggestions. Even more than books, the economic life America itself as it evolved before his very eyes had contributed to formation of his ideas. It was the progress of America under a Protection tive regime, it was the spectacle of a country as yet entirely new an sparsely populated, increasing the produce of her soil as colonization extended, and multiplying her wealth as population became more dense, that impired him with the idea of a policy of isolation with a view to hastening the utilization of those enormous resources. More fortunate than List, Carey lived to see his ideas accepted, if not by the scientific experts of his country (who on the whole remained aloof), at least by the American politician, who has applied his priociples

Carey's doctrine, accordingly, cannot be attributed directly to the 1. Of all the things required for the purposes of man, the one that least bean transportation, and us, yet, of all the most important, ir manure. The kul can continue per nature, and is, yet, or as the most important, is manuer. The tou fast common of the condition, only, of restoring to it the element of which he crop so produce on the condition, only, or restoring to it the exemens or which is also been compared. That being compiled with, the supply of food increase, and nan eern surppare. Anse oeing computes with, the supply or need instrument makes a complete on the supply or need instrument makes, and combine their efforts—developing nen are erannen to come nearer together and compone there enter—overseement their individual faculities, and thus increasing their wealth; and yet the consistion over insuranted necutics, and thus increasing their wealth; and yet this consumer of improvement, essential as it is, has been overlooked by all economics. " (Pracefor overlooked by all economics." (Pracefor overlooked by all economics. One was access, vo. 1, pp. 273-271.

On this point we Jenla, Henry C. Corre at National January Special Section 1991.

influence of List. It remains to be seen whether List had any influence upon European doctrines.

He undoubtedly succeeded in forcing the acceptance of the idea of a temporary Protection for infant industries even upon Free Traders. The most notable convert to this view was John Stuart Mill. But it was a somewhat Platonic concession that he made. He thought it inapplicable to old countries, for their education was no longer incomplete, and at best useful only for new countries.

Can modern Protectionists claim descent from List? In the absence of any systematic treatise dealing with their ideas, it is not always easy to glean the significance of their doctrines from the various articles, discourses, and brochures amid which they are scattered.2 Neglecting those writers who are merely content to reproduce the old fallacies of the Mercantile arguments concerning the balance of trade,3 the majority of them appear to base their case more or less explicitly upon two principal arguments: (1) the necessity for economic autonomy; (2) the patriotic necessity of securing a national market for national products. These two points of view, which are more or less clearly

Compare the long passage in the Principles, Book V, chapter x, para 1, which begans: "The only case in which on mere principles of political economy protecting duties can be defensible is when they are unposed temporarily (especially in a young and rising nation) in hopes of naturalizing a foreign industry, in itself perfectly stutable to the curcumstances of the country The superiority of one country over another in a branch of production often varies only from having begun it sooner." Stuart Mal, however, does not refer to List, and one wonders whether the paragraph owes anything to his influence.

We must make an exception of M. Cauwès, whose Protectionism, on the contrary, a a quite logical adaptation of Lut's idea, rt; , the superiority of nations possessing a complex economy. This is the only scientific system of Protection that we are to-day equanted with But it must be confessed that the majority of writers are very far smooth from Cauwes's point of view. Compare his Cours of Economic Politique, 3rd ed.,

Such, e.g., are the economists who are always speaking of a "commercial deficit," is, of an unfavourable balance of commerce Despite the frequent refutations which have been given of it, it is still frequently quoted as an axiomatic truth. List criticated the whool for its complete indifference to the balance of imports and exports. But he did not favour the Mercantilist theory of the balance of trade, on the contrary, he regarded that as definitely condemned (p 218). He regarded the question from a Special point of view, that of monetary equilibrium. When a nation, says he, imports much, but does not export a corresponding amount of goods, it may be forced to farman payment in gold, and a dramage of gold might give rise to a financial crist The indifference of the school with regard to thu question of the quantity of money a very much exaggrated (Book II, chapter zui) The policy of the great central banks of to-day aims at easing those tensions in the money market which appear as the result of over-importation, and in this matter they have proved themselves much

we a nation and type established peculiar to each country, as the result of forcing the inhabitants to be nourshed and clothed according to the natural resources of the

avowed and accepted as political maxims, would, logical strictness, result in making all external cor Each nation would thus be reduced to using just those which Nature had happened to endow it, but it could of the goods produced by the rest of mankind. These t not absolutely foreign to List's thought, although they n anything more than a secondary or subordinate characte considered them as the permanent supports of a commerce ~List frequently spoke of making a nation independen markets by means of industry. He considered that nat which "has cultivated manufacturing industry in all its within its territory to the highest perfection, and whose ter agricultural production is large enough to supply its man population with the largest part of the necessaries of life. materials which they require." But he also recognized it advantages were exceptional, and that it would be folly for r to attempt to supply itself by means of national division of la that is, by home production—with articles for the production of it is not favoured by nature, and which it can procure bette cheaper by means of international division of labour, or, in other v through foreign commerces Complete autonomy is accordingly illusion. But we cannot deny that some of his expressions seem to credit to the false idea that a country which obtains a consider portion of its consumption goods from foreigners must be depend upon those foreigners. In fact, it is no more dependent upon foreigner than the foreigner is upon it. In the case of a buyer and sel who is the dependent person? There is but one instance in which it expression is justified, and that is when a foreign country has become the only source of supply for certain commodities. Then the buyer doe become dependent, and List rightly enough had in view the manufacture ing monopoly enjoyed by England—a monopoly that no longer exists. He also spoke of retaining the home market for home-made goods;

country in which they live. We should, as a consequence of this, have an American Pper quine superior to any European type. a "consequence of this, have an American Experiment Consequence of the Conseque

but he thought that this guarantee would of necessity have to be limited to the period when a nation is seeking to create an industry for itself: at a later period foreign competition becomes desirable in order to keep manufacturers and workmen from indolence and indifference.

At no period was List anxious to make economic autonomy or the preservation of the home market the pivot of his commercial policy. One creation of native industry is the only justification of protective rights, but this is the one point which modern Protectionists cannot insist upon without anachronism.

List left no marked traces of his influence either upon practical politics or upon Protectionist doctranes. It is in his general views that we must seek the source of his influence and the reason for the position which he holds in the history of economic doctrines.

## III: LIST'S REAL ORIGINALITY ~

List's method is essentially that of the pioneer. He was the first to make systematic use of historical comparison as a means of demonstration in political economy. Although he can lay no claim to be the founder of the method, still the brilliant use which he made of it justifies us in classifying him as the equal, if not the superior, of thousand the terms moment were attempting the creation of the Historical school and the transformation of history into the essential organon of economic resparch.

Affet, also introduced new and useful points of view into economics. The principle of free exchange as formulated by Smith, and especially by Ristrid Say, was evidently too absolute and rested upon a demonstration that was too abstract for the ordinary politician. If, as List justly remarks, the practice of commercial nations has so long remarks, the practice of commercial nations has so long remarks, it is not without some just cause. As a matter of fact, can the attention ever place himself outside of the point of view of national inferent of which he is the custodian? It is not enough for him to know that the interchange of products will in some degree increase wealth," He must be certain that this increased wealth will benefit his

It must be certain that this increased wealth will benefit ins

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Germany, and the United States to continue theirs.

1 See M Pareto's Economic Politica (Milan, 1905) for a demonstration that international exchange is not necessarily advantageous for both parties (chapter ix,

own nation. He must be equally well assured that Free result in too sudden a displacement of population or social and political results of which might be very harn words, political economy must be subordinated to politi and to-day there is no single economist who does not to impossibility of separating them in practice. There is no not perceive the influence of political power on economic and that consequently does not recognize the necessity for t complexion which the peculiar circumstances of each count upon the practical application of the principle of commerci This is not all. List, by abandoning the favourite habit of ei

century writers who contrasted man and society, and by gi picture of man as he really is, as a member of a nation, has in a fruitful conception into economics of which we have not the full results. (He rightly treats of nations not merely as mo political associations created by history, but also as economic a tions.) Just as a nation is politically strengthened by the moral co of its citizens, so its economic cohesion increases the productive e of each individual and enhances the prosperity of the whole nate And Governments, while charged with maintaining the poli unity of a country, ought also to retain its economic unity by s ordinating all local interests to the general interest, by preserving tact the liberty of internal trade, by organizing railways and can on a national basis, by keeping watch over the central bank, and i aiming at a uniform code of commercial legislation. This was th

programme outlined by List in his paper the Collectionsball. This belief in the power which a unified economic organization can Ann sense in the power wines a minute terrorine organisation and bring to a nation is by no means too common among individualists, who at bottom are often particularitts. But List possessed it in the highest degree. He devoted many years of his life to advocating the catablishment of a German railway system, and it was he who traced the principal highways which have since been established in Germany. Protection, in his opinion, was one means of increasing the economic cohesion of Germany, because of the solidarity of interests which would result from the presence of a powerful industry.

\*But the line is sometimes difficult to follow. In our days statemen are concerned not out use use a sometimes carricult to intow. In our cast statement are concurred to the cast of the cast of social but also with the sugration of cast of c one carry with the experiation of goods but also with the magration of capital. Longon on tables of a found of the capital control of the one transfer not sorregic Action to veto the things or a son to the none materials on behalf of foreign Fower or an allen company? To what extent ought bankers was a saw how how the same transfer of the quotient that for many how how the same of the quotient that for more than the same transfer of the quotient that for more transfer of the quotient has foreign and the same and th Plan past have been repeatedly asked in France, England, and Germany. And is year past nave oven repeatedly alacd in France, Engano, and Germany, Ann or Commissions every case that political economy has had to bow before pointed

(With similar enthusiam he devoted himself to two apparently contradictory task—the suppression of inter-State duties and the establishment of protective rights. To him there was no element of contradiction in this, any more than there would be for us in a national system of political economy with no protective rights.<sup>1</sup>

Re also extended the political horizon of the Classical school and substituted a dynamic for their purely static conception of national development. His thorough examination of the conditions of economic progress is a contribution to the study of international trade exactly mankegous to the contribution made by Simondi to the study of national welfare. But, unlike Sismondi, who wished to retard this progress, be is anxious to stimulate it, and so be chargest the State with the duty of safeguarding the future prosperity of the country and with furthering its production. The actual procedure, involving as it did the establishment of protective rights, may appear to us to be unfortunate. But the idea which inspires it—the recognition that in the internus of the future national power has a definitely economic role—is essentially sound. To-day it is a mere commonplace. But when List canciated it it was quite a novel idea.

In attempting to define List's real significance one feels that he failed in the achievement of his chief sim. He has not succeeded in braking, down the abstract theory of international trade. Buf if his braking down the abstract theory of international trade. Buf if his realistic size is the state of t

It is very remarkable that Lin's greatest admirer, Dubrutg, in his Kinaha Godukiz der Mindillbomeis und des Sequaliums (end ed. p. 1963), misste ouch fact für Practicular in an executial demande, but a mere temperary form of the principle of assissal economies of assissal economies of the second of the second of assissal economies of the second of th

<sup>\*</sup>Letty the Saint-Simonians nobody seems to have conceived of the State's repossibility for a sation's productive feers. List refers to them sympathetically, operally the control of the state of the st

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It has been said that Proudhor bereard the female from Rand & Kerthe author of a week entitled Redering planeaut the femals from Rose of a meek entitled Redering planeauton as k Dok & Dok & Dok & Bare 6 at 1 considers done to Nature at done to Sande. To not true published as returned with with some modifications in Vol VI pre only other, at he present places. Ligitation (1762 But this a a metaler Procedure declare that to said as a known to him Judge, but the a a monater Procedure declare that to see the Brigger's recover, the formula and for any land, moreover, the formula and for any life. Brissot's point of them a country different from Prosche to De trees a set for in a state of the first a country different from Prosche to De trees a countr in a state of nature the right of process a suits the consum of and, of an pears when that want is satisfied, that man, and ever another of part, he is to everything the extra a satisfied, that man, and ever another set piets he is to everything the extra set. to everything that can satisfied, that man, and ever amount of piece to de-faction of the can satisfy his wants, but that the right degrees out is not faction of the want. Comequently that properties sade to prove of the simply means a return to nature. The rail are real to come from the set of the colorie shall be set of the set of the colorie shall be set of the set of t to the culprix the lawful satulation of his most. The men's a pie is a se-lenient treatment of it. lenient treatment of theres. But Bronet is you would be not a figure which is industrument to de-

which is independent for the county of some or or to the process of passes

The question then arises as to whether Proudhon regards all property theft. Does he condemn appropriation, or is it the mere fact of ossession that he is inveighing against? This is how the public at arge have viewed it, and it would be useless to deny that Proudhon wes a great deal to this interpretation, and the consequent consternaon of the bourgeoisie. But his meaning is quite different. Private roperty in the sense of the free disposal of the fruits of labour and wing is in his opinion of the very essence of liberty. At bottom this nothing more than man's control over himself. But why attack roperty, then? (Property is attacked because it gives to the proprietor right to an income for which he has not worked.) It is not property s such, but the right of escheat, that forms the butt of Proudhon's ttack; and following the lead of Owen and other English socialists, s well as the Saint-Simonians, he directs his charges against that ight of escheat which, according to circumstances and the character the revenue, is variously known as rent, discount, money interest, igricultural privilege, sinecure, etc.3

Like every socialist, Proudhon considered that labour alone was productive. Land and capital without labour were useless. Hence the demand of the proprietor for a share of the produce as a return for the service which his capital has yielded is radically false. It is based upon the supposition that capital by itself is productive, whereas the capitalist in taking payment for it literally receives something for nothing.

<sup>1</sup> Contradictions, Vol. I, pp. 219, 221.

Risms de la Question recoils, p. 29, Ne meet with the same idea in other passages.

Property under the influence of division of labour has become a mere link in the than of circulation, and the proprietor himself a kind of toll-gatherer who demands a toll from every commodity that passes his way Property is the real thief." (Banque \* Edward, p. 166) We must also remember that Proudhon did not consider that taking interest was always illegal. In the controversy with Bastiat he admits that it

has accessive as always stregal. In the controversy with based and of it altogether, Wife must distinguish between this and Marx's doctrine. Marx believed that all raise is the product of labour. Proudhou refuses to admit this, ) He thinks that value toold in some way correspond to the quantity of labour, but that this is not the tee in present-day society. Marx was quite aware of the fact that Proudhon del not thate his trews (see Musite de la Philosophia) Proudhon follows Rodbertus, who taught that the products only and not their values are provided by labour.

property, or Memore, pp. 131-132. It is true that Proudhon adds that without and and capital labour would be unproductive. But he soon forgets his qualifications when he when he proceeds to draw conclusions, especially when he comes to give an exposition of the proceeds to draw conclusions, especially when he comes to give an exposition

of the Enchange Bank, where we meet with the following sentence: "Society is built up at the to a follows: All the raw material required is gratuitously supplied by nature, so that is a that in the economic world every product is really begot of labour, and capital must was not the economic world every product is really begot of labour, and capies in the tonsidered unproductive." Elsewhere he writes: "To work is not necessarily to produce anything." (Solution du Problime social, Œuntes, Vol. VI, pp. 261 et seq., and

PROUDILON AND THE SOCIALISM OF 1848

The sympathy of the economists is easily explained. They reali from the first that Proudhon was a vigorous opponent of their view but it was not long before they discovered that he was an equal resolute critic of socialism. Let us briefly examine his attitude wit regard to the latter

No one has ever referred to socialists in harsher terms. "The Saint-AND OHE HAS EVER PETERTED TO SOCIALISES HE MARKET FETTER. THE SAME-SIMMONIANS BAYE VANISHED LIKE A MASQUEETAGE. "I "FOURIET'S PINEM IS the greatest mystification of our time." To the community he writes as follows "Hence, communists" Your presence is a stench in my nestrik and the sight of you diaguits me " Elsewhere he says: "Socialism is a mere nothing. It never has been and never will be anything." The violence of his attitude towards his predecessors springs from a for voornee or an actions about the procedure is intended to put the reader on his guard against all equivocation, and to afford him valuable preparation for appreciating Proudhon's solutions by show-His attack upon the socialists roughly amounts to a charge of failure

ing how utterly impossible the other solutions are to realize that the destruction of the present regime would involve Caking a course in the opposite direction. The difficult problem which he set out to solve was not merely the suppression of easting economic orce, but also their equilibration . He never contemplated "the annetten of such economic forces as division of labour, collective

Text, competition, credit, property, or even economic liberty, 18 His As are to in Le Paper, in 1845. Providing a arrests are more especially directed that Judgey 3 octors a sea as the time the only socialist what that had any we should show the same at this time the only waterial name times not sort and the last taggety due to the active propagation of a tor Consultrant. when the was tested one in the series proposed as a basic common and a series proposed as a series of the series o The state of the state of the Connection four Blanc who Parameter are the price of (register 2) of the temperature being since and the modeling blames with his today when Katriote . Also globals & to Be shape. Lang Plate Later I a mented up as b D mg . He strongly thought that the few file Produce to be the terred out to be only a great year.

teriories chail à ann thur Biss you man pronormail ad a full bream insign of the 5th conditions and in the hand started on optional parameters to a soil storm using the time parameters and in the hand started on optional the distributed that it also also freshreding an optional the man man theory as explosed the time that the train of street of reasoning a second classe strength has been as much be chargers aird as easyl to try so believe them was deadly as meandance with One Stille-denous and buy perfectly underone enterior in networker with the Britishness and the persons around the control of the being distinctive and persons are controlled to the controlled distinctive. References when the property of the party haden haden registration of the Sp. 202-3/3 . Evaluation on minimum time and water and a dear of Content of the and that forces that are contented substitute to the content of the conten as at below the control of a second such and a second seco we we wrome a fact the bade, Competitude the Gooder, Events, property for the fact that the fact tha when the first the transfer have to the for marries we have been a forting to the first the firs 

chief concern was to preserve them, but at the same time to suppress the conflict that exists between them. The socialists aim merely at destruction. For competition they would substitute an associative organization of labour; instead of private property they would set up community of goods' or collectivism; instead of the free play of personal interest they would, according to Fourier, substitute love, or love and devotion, as the Saint-Simonians put it, or the fraternity of Cabet. But pone of these satisfies Proudhon.

"Mfc dismisses association and organization as being detrimental to the liberty of the worker." Labour's power is just the result of "collective force and division of labour", Liberty is the economic force par estillate.) "Economic perfection lies in the absolute independence of the workers, just as political perfection consists in the absolute independence of the workers, just as political perfection consists in the absolute independence of the electors of the department of the Scine in 1848, "is the sum total of my system—liberty," he remarks in an address delivered to the electors of the department of the Scine in 1848, "is the sum total of my system—liberty of conscience, freedom of labour, of commerce, and of teaching, the free disposal of the products of labour and industry—liberty, infinite, absolute, everywhere and for every." He adds that his is "the system of 86," and that he is preaching the doctrines of Quesnay, of Turgot, and of Say, Indeed, it would not be difficult to imagine ourselves reading the Classical rhapsodies concerning the advantages of Free Trade over again."

binds are fagether with the stronger than any which sympothetic combination or witnursy contract on supply." (life splends de la Bribades ar MIN Stirle, p. 91). The economic forces are somewhat differently enumerated in chapter ans of the forced data Gauss another. Association and minutally are mensoned, but while forced data of the supplementation of the same of "months of the supplementation of the supplementation of the same of "months of the supplementation of the supplementation of the same of "months and supplementation of the supplementation of the same of the supplementation of the same of the supplementation of the supplementation of the same of the supplementation of the

It is true that Fourier was not a communist. Proudhon shows that on the one hand his Phalasnite would abolsh interest, while it would give a special remuteration to talent on the other hand by Phalasnite would about his Phalasnite would should be should be

and of many more than the many present and the many present and of many present and the many

vote votes, it gets not of inequality, with the result mat mere is general submitted and inexpanyin, "[Bad]

Le Rholphen dimentite per le Comp & Elet, pp. 53, 54. Ebewhere: "When you wend of organizing labour it seems as if you would put out the eyes of liberty." [Organization of Critical and Critical and the Electrical Company, Carrier, Vol. VI., p. 51.)

Programs reductionare. To the electors of the Scine, in the Reprisentant du People (Buerr, Vol. XVII, pp. 45, 46.)

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and communism there is a world of difference "4 Racial devotion or fraternity as possible motives for action are not recognized They imply the sacrifice and the subordination of one man to another All men have equal rights, and the free exercise of those rights is a matter of justice, not of fraternuy Prouthon thinks the axiom so very evident that he takes no trouble to explain it, b merely gives us a definition of justice. On his first Minous it is define as "a kind of respect spontaneously felt and reciprocally guarantee to human dignity in any person and under all circumstances, even

though the discharge of that feeling exposes us to some risk 14 His justice is tantamount to equality. If we apply the definition to the economic links which bind men together, we find that the principle of mutual respect is transformed into the principle of reciprocal Truce 4 Men must be made to realize this need for reciprocal service. In the ordy way in which equality can be respected "Do unto others you would that others do unto you." - thu principle of justice is the The mount than outers are none per perty. We are annount that they should a manual une receptional so have purply or per person to a ser annual test top money and person on the sea around paging universe the same excellent interests as the sea property and the state of property to Prople September 2, 18 (2) Special de l'enter et de la seralitate p 111 Ebruiter (To ades 116) we are the community of the first own in social designation of the first own in social designation of the first the contraction of the first sering in secun corresponding to the contraction of the sering less than the sering sering the sering sering the sering To be comparately as to the still tests the titill serior tile school to be about to be a sound as to considered an faller "Project, to Mona That are not for possessing parts and parts of parts of program, to return the contract of the parts of the p that area and se personal puts that may be set from a property of the fail of property but tota to the right of personal total of the set of th a six and a section for the dependent that the title to the significant or six and the six differentiate and he hashing do no of surgeon with the first of a no of surgeon with the first \$1.5 As a small be counted away as a small a second or our common and a small as a the country to the best of hard facility to some setting. For Pronting

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ethical counterpart of the economic precept of mutual service. Reciprocal service must be the new principle which must guide us in rearranging the economic links of society.

And so a criticism of socialism helps Proudhon to define the positive basis of his own system. The terms of the social problem as it presents used to his own system. The terms of the social problem as it presents used to him can now be clearly followed. On the one hand there is the suppression of the unearmed income derived from property—reveue which is in direct opposition to the principle of reciprocal service. On the other hand, property itself must be preserved, liberty of work and right of exchange must be secured. (in other words, the fundamental attribute of property must be removed without dramaging the institution of property itself or endangering the principle of liberty.)

It is the old problem of how to square the circle. The extinction of unearned incomes must involve the communal ownership of the instruments of production, although Proudhon did not seem to think so. Hitherto the reform of property had been attempted by attacking the production and distribution of wealth. No attention was ever paid to exchange. But Proudhon thought that in the act of exchange inequality creeps in and a new method of exchange is needed. Towards the end of the Contradictions économiques he gives us an obscure hint of the kind of reform to be aimed at. After declaring that nothing now remains to be done except "to sum up all contradictions in one general equation," he proceeds to ask what particular form that equation is to take. We have already, he remarks, been permitted a glimpse of it. "It must be a law of exchange based upon a theory of mutual help. This theory of mutualism—that is, of natural exchange—is from the collective point of view a synthesis of two ideas—that of property and that of communism."3) No further definition is attempted. In a letter written after the publication of the Contradictions he still refers to himtelf as a simple seeker, and states that he has a new book in preparation, in which these propositions are to be further developed.

About the same time he had laid out his plans for active propaganda in the Press. But the Revolution of 1848 threw him into the mille of party politics and hastened the publication of his theories

In order to give a better idea of the place occupied by Proudhon's ideas, and to show how they were connected with the socialist experiments of the time, we must say a few words about the Revolution itself.

That is how the problem is put in the preface to the first Alémeire.

Contradictions. Vol. II. p. 414.

<sup>&</sup>lt;sup>1</sup>This idea of mutual service is further developed, especially in Organishm de Olds de la troulation (Cherse, Vol. VI, pp. 92-93), and in Idea ghatrale, p. 97.

## REVOLUTION OF 1848 AND THE DISCREDIT OF SOCIALISM of all shades of opinion, who from 1830 to 1840 had been

radical reforms, were given a unique opportunity of r theories to the test during the Revolution of 1848. four months (February to June) which preceded the of the socialist Republic by the bourgeouse, projects of all for many years had been discussed in books and newsared to be on the point of bearing fruit. For a number hing seemed impossible. 'The right to work,' 'organizar,' and 'association,' instead of being so many formula, re stroke of the magic wand to be translated into realities. s were not wanting to attempt this task of transformation, y to find every scheme tumble into ruins. Every formula, the test, was found to be yord. The malevolence of some mpatience of others, the awkwardness and haste of the en, made the experiments odious and ridiculous. Public at last thoroughly wearted and all the reformers were ely condemned.

ily consiemmed.

As a secordingly a memorable one in the history of social calatte excision of Louis Blanc, of Fourier, and of Solot-efinitely discredited. Bourgeons writers thought that if entroyed. Reptaud, who contributed the article on the Distribution of the Di

his presteresous under the rather muleading fills of against their function dreams he set up the 'scientific

Du Appail. Between the convergent less a distinct to the Keed soon of 1838. We must brough section to 4838 We must brough section to about, and capatily service the more important experiences the convergence to the constraint and adopted by Louis Kinne and other assections of the following the strain of Louis and convergence to the only true formula of the Reference Convergence to the only true formula of the Reference Convergence to the conference of the Reference Convergence to the conference of the Reference Convergence, small the conference of the Reference Convergence, small the conference of the Reference Convergence, small the conference of the Reference Convergence Convergence of the Reference Convergence of the Reference Convergence of the Reference Convergence Convergence

will give you the right of property." The same idea has been revived in our own day, after the long period of post-war unemployment, but with a new formula; 'full employment' is now proposed as the fundamental objective of economic policy.

Workmen thought that the first duty of the Provisional Government was to give effect to this formula. On February 25 a small group of Parisian workmen came to the Hôtel de Ville to urge their claims. and the Government hastened to recognize them. The decree drawn up by Louis Blane was as follows: "The Provisional Government of the French Republic undertakes to guarantee the existence of every worker by means of his labour. It further undertakes to give work to all its citizens." The following day another decree announced the immediate establishment of national workshops with a view to putting the new principle into practice. All that was necessary to gain admission was to have one's name inscribed in one of the Parisian municipal offices. -

Louis Blane in his book of 1841 had demanded the establishment of 'social' workshops. Public opinion, misled by the similarity of names, and encouraged to persist in its error by the enemies of socialism, thought that the national workshops were the creation of Louis Blanc. Nothing could be more incorrect. The 'social' workshops, as we know, were to engage in co-operative production, whereas the national workshops were to provide employment for idlers. Similar institutions had been established during every crisis between 1790 and 1830, generally under the name of "charity works." Moreover, it was Marie, the Minister of Public Works, and not Louis Blanc, who organized them. Far from providing work as the socialists had hoped, the Government soon realized that the workshops afforded an admirable opportunity for binding the workmen together into brigades which might act as a check upon the socialistic tendencies of the Luxembourg Commission, then presided over by Louis Blanc. The workshops were placed under the management of Émile Thomas, the engineer, who was an avowed opponent of the scheme. In his Histoire der Atelurs nationaux, written in 1849, he tells us how they were controlled by him in accordance with the wishes of the anti-socialist majority of the Provisional Covernment.2

Le Droit du Travail et le Droit de Propriété, pp. 4, 5, 58 (1848).

Every historian is agreed on this point, which Louis Blanc has dealt with at great Legy fautorian is agreed on this point, which admissions, has the leggth in he fittiers de la Refoulant de 148 (Chapter vi). The testimony of contemporaries, especially Lamartine in his Histoire de la Révolution de 1848 (Vol. II, p. 120), is also very significant. "These national workshops were placed under the direction of men who belonged to the anti-socialist party, whose one aim was to spoil the experiment, but who managed to keep the sectaries of the Luxembourg and the rebels of

But they were mistaken in their calculations. Those who though that the national workshops could be used for their own political ends were soon undeceived. The Revolution greatly increased the number of idlers, already fairly considerable as the result of the economic crisis of 1847. Moreover, the opening of the workshops brought the workmen from the provinces into Paris. Instead of the estimated 10,000, 21,000 had been enrolled by the end of March, and by the end of April there were 99,400. They were paid two francs a day while at work, and a franc when there was no work for them. In a very short time it became impossible to find employment for so many. The majority of them, whatever their trade, were employed upon useless earthworks, and even there soon proved inadequate. Discontent soon became rife among this army of unfortunate workers, humiliated by the nature of the ridiculous labour upon which they were employed.

and scarcely satisfied with the moderate salary which they received. The wages paid, however, were more than enough for the kind of work that was being done. The workshops became centres of political agitation, and the Government, thoroughly alarmed, and actine under

pressure from the National Assembly, was constrained to abandon them.

Suddenly, on June 21, a summons was executed upon all men between seventeen and twenty-five enrolled in the ahops, ordering them to join the army or to leave for the country, where more digging awaited them. The exasperated workmen rose in revolt. Roling broke out on June 23, but it was crushed in three days. Hundreds of the workers died in the struggle, and the country was terrorized into

reaction.

That simple logic which is always so characteristic of political parties held the principle of 'the right to work' responsible for this disastrous experience, and it was definitely condemned. This is quite clear from the constitutional debates in the National Assembly. The constitutional debated with Mariand Marrasto on lane to, a low day's

" send those as the streets."

the child apart until the meeting of the National Assembly. Parts was disposed with the quantity and the character of the work accomplished, but it first shought with these meet that one meet that one contains defended and professor the over 1 for the containing the containin

before the riots, recognized 'the right to work.' "The Constitution," says Article 2, "guarantees to every citizen liberty, equality, security, instruction, work, property, and public assistance." But in the new plan of August 29—after the experience of June—the article disap-peared.) The right to relief only was recognized. In the discussion on the article an amendment re-establishing 'the right to work' was proposed by Mathieu de la Drôme. A memorable debate followed, in which Thiers, Lamartine, and Tocqueville opposed the amendment. while the Radical Repúblicans Ledru-Rollin, Crémieux, and Mathieu de la Drôme defended it.<sup>1</sup> The socialists had become extinct. Louis Blanc was in exile, Considérant ill, while Proudhon was afraid of startling his opponents and of compromising his friends. Besides, the Asembly had already made up its mind. The amendment was defeated, and Article 8 of the preamble to the Constitution of 1848 tuns as follows: "The Republic by means of friendly assistance should provide for its necessitous citizens, either by giving them work as far as it can, or by directly assisting those who are unable to work and have no one to help them."

During the reign of the July Monarchy 'the organization of labour' 2, 12, 12, 13 another phrase which divided the honours with 'the right to work.' With the spread of the Revolution came a similar menacing demand for its realization. By a strange coincidence the author of this formula was also a member of the Provisional Government. And so when on February 28, three days after the recognition of 'the right to work,' the workers came in a body and claimed the creation of a Minister of hogress, the organization of labour, and the abolition of all exploitaion, Louis Blane immediately seized the opportunity to urge his unwilling colleagues to accede to their demands. Whe himself had pressed the Government to take the initiative in social reform, and now that to de Resolution had made him a member of the Government how could he escape his responsibility? After some difficulty his colleagues weat he escape his responsibility? After some dimensity his consequent secreted in persuading him to accept the alternative of a Govern-tent commission on labour, of which he was to be president. The tennission was entrusted with the task of drawing up the proposed reforms, which were afterwards to be submitted to the National Asembly. To mark the contrast between the old and the new regime the commission carried on its deliberations in the Palais du Luxembourg where the Chambre des Pairs formerly sat.

The Luxembourg commission was composed of representatives titted Lixembourg commission was composed or representative by working and masters, three for each industry. The repremutatives met in a general assembly to discuss the reports prepared The allrans were afterwards published in a volume entitled Le Dreit on Transl.



The commission must also be credited with several successful attempts at conciliation.

Not only did the commission fail to do anything permanent, but its degeneracy into a mere political club thoroughly alarmed the public. It became involved in elections, and even intervened in street riots. It finally took a part in the demonstration of May 15, which, . under pretext of demanding intervention in favour of Poland, resulted in an invasion of the National Assembly by the mob. Louis Blanc had already retired. Since the reunion of the National Assembly the Government had been replaced by an executive commission, and Blanc, no longer a supporter of the Government, sent in his resignation on May 13. After that the commission was at an end, and, like the national workshops, it all resulted in nothing save a general discredit of socialist opinion.

There still remained the 'working men's associations.' -Every 2 socialist writer of the early nineteenth century was agreed on this principle of association. Every reformer, with the exception of Proudhon,1 who always pursued a path of his own, regarded it as the one method of emancipation. It was quite natural that it should be put to the test.

In its declaration of February 26 the Provisional Government stated that besides securing the right to work, the workers must combine together before they could secure the full benefit of their labour. The moment Louis Blane attained to power he sought to guide the energies of the commission in this direction. The 'Association' was to be of the nature of a co-operative productive society, supported by the State Under the influence of Buchez, an old Saint-Simonian, a Republican Catholic and the founder of the newspaper called L'Atelier, there had been formed in 1834 an association of jewellers and goldmiths. But it was a solitary exception.

Louis Blanc was more fortunate. He successively founded associations of tailors, of saddlers, of spinners and lace-makers, and he secured Government orders for tunics, saddles, and epaulettes for them. Other associations followed, and by July 5 the National Assembly was sufficiently interested in these experiments to vote the sum of three millions to their credit. A good portion of this sum passed into the hands of mixed associations of masters and men formed with the sole purpose of benefiting by the Government's liberality. The workmen's associations pure and simple, however, received more than a million, and there was not a sou of it left by 1849.

The first co-operative movement inspired by the ideas of Louis Blanc 1 Cf. netre, p 305, note 2.

<sup>3</sup> Cf. supra, "The Associative Socialists"

FROUDHON AND THE SOCIALISM OF 1848 was of short duration. The National Assembly took good care to place the reason white Ministerial control by appointing a Court Classificated by the Ministry to fix the conditions under which is not should be grained. The Couril hastened to publish model regulators which held the anarchitors little scope for internal organizafor Suggestives the rule that several of them were immediately sequenced and every senset which failed to conform to one of the that makes according Article 19 of the Commercial Code was The meant entry society which was not nominally A country washes or a pant stock or a limited liability company. By 1514 according to the testimony of Reyband, there remained oil are net of those submitted in 1849. Consumers' co-operative societies, that a the accepts which aimed at securing cheap commodities, ocalisated at Paris, Lille, Nantes, and Grenoble, were also diswheel

an all these experiments—the only ones that had not already Accept reformers into discredit—were destined to full in their turn. These extinction was due partly to political causes, partly to their founders, who had not yet been trained in the difficult task of building

The social experiments of 1848 one after another foundered, bringing a distrust of theories in their train. There still remained one other experiment connected with Preudhon's name—that of free credit. But it also was destined to fail like the rest. 19/2

## III: THE ENCHANGE BANK THEORY

The Revolution of 1848 did not take Proudhon quite unawares, although he considered the outbreak was rather sudden. He was soon convinced that the real problem to be determined was economic rather than political, but he also realized that the education of the masses was two backward to permit of a peaceful solution. Proudhon, in this matter at one with his French confident, had hoped for such a aNution.1 He thought the February Revolution was a child prematurch lawn. In a striking article in the columns of Le People he gave wistful expression to his fears as he foresaw the Revolution impending. In achitics had been delivered to none and its interpretation ballled the incomity of all.

ind send hands asy that this measure of fiscal reform framely, the abolition of support of must be carried out without any violence or robbery. There must and but ample compensative must be given." (Rinned de la Question

I have wept over the poor workman, whose daily bread is already unfficiently uncertain and who has now suffered misery for many years. I have undertaken his defence, but I find that I am powers to success them. I have normed over the bourgeois, whose ruin I have winnessed and who has been driven to bankruptcy and goaded to opposition of the protestrata-Ady personal inclination is to sympatize with the bourgeois, but a natural antagonism to his ideas and the play of circumstance have made me his opponent. I have gone in mourning and paid penance for the spirit of the old Republic long before there were any signs of its offiging. This Revolution which was to restore the public order merely marks the beginning of a new departure in social revolution which no one understands.<sup>1</sup>

But the Revolution having once begun, Proudhon did not feel himself justified in being behindhand. He had been a most severe critice of the existing regime, and he felt that he was bound to attempt a solution of the practical problems which suddenly came to the front. He became a journalist and threw himself wholcheartedly into the struggle. Hitherto he had been content with vague suggestions as to where the evil lay, Eur now he was anxious to make reform practicable and to fill in the details of the scheme; and so he invented the Exchange Bank's.

Troudhon's Exposition of the scheme is contained in a number of pamphles, in newspapers, and in his books <sup>a</sup>Che explanation do not always tally, and he is not always happy in stating exactly what he thinks. This explains why he has been so often misunderstood). We shall try to give a résumé of his ideas before proceeding to criticize them and to compare them with analogous profects formulated both them and to compare them with analogous profects formulated both

before and after his time. This will help us to understand where the originality of the scheme lay.

et seq , and in Idle giodrale, pp 197 at seq.

The fundamental principle on which the whole scheme rests is

\* Ú. Sare, Vol. XVIII, po. 6-7., See also the latter dated February 2s., fligh (Germanney, Vol. II, vol.): "Frames will certainly accomplish, w, bether it remains a republic or not. It might even be carried out by the present decadent Government, at rulings out." That thoughed that oppreven the insign a hand in the Revolution. It is a ruling out." That thoughed then oppreven the insign a hand in the Revolution (10,4), the expounds the principle of the scheme and indicates some of an general features. The relation is easily with the properties of the scheme and indicates some of an general features, and the scheme is easily with a number of articles contributed to Le Repticular to the scheme in the scheme is easily with a number of articles contributed to Le Repticular to the scheme is a scheme in the scheme in the scheme in the scheme is the scheme in the

to the same idea in his other works, notably in Justice dens la Révolution, Vol. I, pp. 289

, somewhat as follows: Of all the forms of capital which allow of a right of escheat to the product of the worker, whether in the form of rent, of interest, or of discount, the most important is money, for it is only in the form of money that these dues are actually paid. >If we could suppress the right of escheat in the case of this universal form of capital-in other words, if interest were abolished-the right of escheat in every other case would soon disappear.

Let us suppose that by means of some organization or other money required for the purchase of land, machinery, and buildings for industrial purposes could be procured without interest. Were this the case the required capital would then be obtained in that way instead of by payment of interest or rent as is the case to-day. The suppression of money interest would enable the worker to horrow capital gratuitously, and would give him immediate control over all useful capital instead of renting it. All attempts to hold up capital for the sake of receiving interest without labour would thus be frustrated., The right of property would be reduced to mere possession. Exchange would be reciprocal, and the worker would secure all the produce of his labour without having to share it with others. In short, economic justice would be secured.

This is all very well, but how can the necessary money be obtained without paying interest? Everything depends upon that.

Proudhon invites us to consider what money really is. It is a mere medium of exchange which is designed to facilitate the circulation of goods. Proudhon, who had hitherto regarded money as capital par excellence, now treats it as a mere instrument of exchange> "Money by itself is of no use to me. I merely take it in order to part with it. I can neither consume it nor cultivate it." It is a mere medium of exchange, and the interest paid merely covers this cost of circulation.\* But paper money will fulfil this function quite as well and much more cheaply Banks advance money in exchange for commodities or supply bills which are immediately transferable into cash. In exchange for this service the banker receives a discount which goes to remineral the shareholders who have supplied the capital. Why not establish bank without any capital which, like the Bank of France, will dis count goods with tills-either circulation or exchange notes? The bills would be inconvertible, and consequently would cost scarcelanything, and there would be no capital to remunerate

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<sup>2</sup> See Salaton de Problème social, pp. 176, 174

<sup>\*</sup> har E et Proceed, p. 112

<sup>5 &</sup>quot;Minor in sumply a superiormentary hard of capital, a medium of our karner of a cred v marrament. If this is the case what close has it to payment? To triak of remarrating musey for the service which is given " (Bid. 9 115)

The service given would be equal to that given by the banks, but ould cost a great deal less. All that would be required to ensure the rculation of the hills would be an understanding on the part of the ientele of the new bank that they would accept them as payment for ods. The hearer would thus be certain that they were always imediately exchangeable, just as if they were cash. The clients would se nothing by accepting them, for the statutes would decree that the ank should never trade in anything except goods actually delivered r under promise of delivery. The notes in circulation would never xceed the demands of commerce. They would always represent oods already produced and actually sold, but not yet paid for.1 ollowing the example of other banks, the bank would advance to the eller of the goods a sum of money which it would subsequently recover rom the buyer. The merchants and manufacturers would obtain not mly their circulating capital without payment of interest, but also the ixed canital necessary for the founding of new industries. These idvances obtained without interest would enable them to buy and not nerely to rent the instruments of production which they needed.\*

The consequences of a reform of this kind cannot be easily enumerated. Not only would capital be freely placed at the disposal of every one, but every case, but every case, but every case, but expects a so so the worker ceased selling his products at cost prace and government istel would become uscless. The aim of all government is to check the opperation of the weak by the strong. But the moment fair exchange

1 Cf. Résumé de la Question sociale, p. 99.

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\*Moreover, the defuners will take the form of discount. The enterprises who has more scheme which be while to carry out "will in the first place callect orders, and not be iterated by the whole to carry out "will in the first place callect orders, and not be iterated by the process of the process of the process of promotory notes, which the bank, after taking due pressures, who over into circularious notes." The commer is really a deeping partner in the ownerst into circularious notes. The commer is not as of the intervention of the commer is the process of the intervention of the commer is the commer in the circularious of the commer is the commer in the commer in the intervention of womey at all. (Opposition dis Orient, Liesen, Via use in ordered against this feature of in operations.)

\*\*Illenot to resolve the bourproone and the problematia into the modifie chas, the "Illenot to resolve the bourproone and the problematia into the modifie chas, the

class which lives upon in income and that which draws a shary into a class which he reather receive nor wages, but love by increasing and preducing valuable commo direct to exchange them for taken. The middle class is the most server has an occurtion of a truly representative of a country a circley. That was the problem in Februar 16,9° (Kirolaton disamble) per it Comp of May, p. 1355)

"Reciprocity means a guarantee on the part of those who exchange commodule to sell at cost price" (Mit globals de la filtulation, pp. 97-98)

"The very custome of the State implies antageness or war as the essential of inevitable condition of humanity, a condition that calls for the increention of a condition that calls for the increention of a control force which shall put an end to the struggle continually waging between the week and the strong." (Fact is Pople, December 3, 1847, Carres, Vol. XIX, p. 2)

on money that gives rise to discount. It belongs to the very nature of things. Proudhon not withstanding, a sale for cash and A sale with future payment must remain two different operations, at least as long as the immediate possession of a sum of money is judged to be more advantageous than its future postession. Experience of forced circulation has shown this clearly. The Bank of France still charged discount after its notes ceased to be convertible. The disappearence of metallic money made no difference to the phenomenon of discount.

To this Proudhon would reply that the clients of the bank, readthe terms of their agreement, are debarred from taking any premiums. Of course, if they remained faithful to their prointerest or discount would be suppressed; but this would result, from the organization of the Exchange Bank, but because of mut agreement. This would be a purely moral reform requiring no bas ing contrivance to aid it, but one in which progress must inevial

The flank of Exchange failing to suppress discount, or to cheek th right of escheat in general, Proudhon's other conclusions fall to the

There is something else that Proudhon forgets: that even if it is cossible to multiply at will the instruments of circulation it is not rossible to do the same with the capital that results from savingi.e., the division of income between consumption and production. The multiplication of exchange notes without any increase in social wealth would have no other effect than to raise all prices of land, house, and machinery, as well as of consumption goods. Capital would be lent as before, and being less plentiful the high rate of in-

Proudhon always maintained that his reform merely consisted in transforming credit sale into a cash one. But he might as well have said that black was white. F secure and not a man one, but no might as wen pave sain that touck we might from giving mutual benefit, the bestower will be the one who will gun most advantage. trong strong menutar tentilis, the normore will be the one who will gain most solvanese. Believelve the Lays that to give credit is merely to exchange. This is true enough, but 

"The war of 194-18 gave us the remarkable experience of a system under which al one was er 1914-10 gave in the remarkance experience or a system many of the public state of the public did not come along fast caugh the State made in purchases such paper more years.

Though immediate the state made in purchases such paper more years. stee not, votice assign that enough the State made in purchases with paper money among the following inconstruction, was accepted by every one. The result on price in general was and for in the control of the contro one may an abstrang itself, toogge aimost everywhere there were some economisms of odermostrast (!) that the rise in prices was a cause and not an effect of the inner of the source management. oversomerate (1) mast the rise in prices was a came and not an effect of the same on hyper money. Moreover, on countries where bank-notes were not used and where the Country. the State horrowed from the banks by means of credit entire to be drawn on the banks by means of credit entire to be drawn on by the banks by means of credit entire to be drawn on by name and controver from the banks by means of credit entires to be officed on the credit of this creation of supplementary purchasing power, sided to the credit of the cr Somal reals of the creation of supplementary purchasing power, andre is understanding the control of the contro definitions we paring, were precisely the same. The rise of price in require, which cheques take the place of hank-ones, was caused by the multiplication of these controls. tensions use the place of bank-roots, was caused by the munipulation or town freques, just as in France the Increase in the number of notes was the principal cause of the rise.

terest or rent would tend to maintain the high level of prices, and these would in turn be still further increased-a strange outcome of a reform intended to lower them! Proudhon, having exaggerated the evil effects of gold, now accepts Say's formula too literally. J. B. Say allowed himself to be led into error by his own formula that "Goods exchange for goods," and it is interesting to note that the Exchange Bank is the logical, though somewhat paradoxical, outcome of the reaction against the Mercantilist ideas concerning money which can be traced to Adam Smith and the Physiocrats.

This does not imply that Proudhon's idea is devoid of truth. The false ideal of free credit contains the germ of a true ideal, namely, mutual credit. The Bank of France is a society of capitalists whose credit is established by the public who accept their notes. They really deal in public credit. Proudhon saw clearly enough that their notes are ultimately guaranteed by the public. The public are the true signatories of these commercial goods. Were the public insolvent the bank would never recover its advances, which really constitute the security for the bills. The shareholders' capital is only a supplementary guarantee. The Comte Mollien, the Financial Minister of Napoleon I. declared that in theory a bank of issue should be able to operate without any capital. The public lends money to itself through the intermediary, the bank. Why not operate without the intermediary? Why not eliminate the entrepreneur of credit just as the industrial or commercial entrepreneur is eliminated in the case of the co-operative society? Discount would not disappear altogether, perhaps, but the rate of discount for borrowers would be diminished in proportion to the extent to which they stood to gain as lenders. This is the principle of the mutual credit society, where the initial capital is almost entirely superseded, its place being taken by the joint liability of the co-· operators. Proudbon's initial conception seems to be reducible to this very simple idea.1

It seems that Proudhon was merely following the idea of a cooperative credit bank, just as in other parts of the work he copies other forms of co-operation without ever showing much sympathy for the principle itself.

In the Idie ginirale de la Rivolution au XIX: Sticle, p. 198; "The citizens of France have a right to demand and if need be to join together for the establishment of bakehouses, butchers' shops, etc., which will sell them bread and meat and other articles of consumption of good quality at a reasonable price, taking the place of the present chaotic m-thod, where short weight, poor quality, and an exorbitant price seem to be the order. For a similar reason they have the right to establish a bank, with the amount of capital which they think fit, in order to get the cash which they need for their transactions as cheaply as possible."

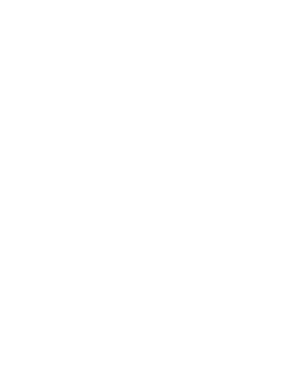
8 "Association avoids the waste of the retail system. M Rossi recommends it to



economic errors in the two cases are also different. Proudhon's error lay in his failure to realize that metallic money is a merchandise as well as an instrument of circulation. The error of Owen, of Bray, and of Rodbertus consisted of a failure to see that the price of goods includes something more than the mere amount of labour which they have cost to produce-an error which Proudhon at any rate did not commit

(2) Proudbon's hank has also been confused with other banks of exchange which are really quite different. The ideas underlying such whemes had become prominent before Proudhon's days, and numerous practical experiments had been attempted along the lines indicated. These banks aimed, not at the suppression of interest, but at a gradual rapprochement between producer and consumer, the goods offered for tale being bought by the bank, and paid for in exchange notes upon an acreed hasis of calculation. Rovers in their turn would come to the bank to obtain the necessaries of life, paying for them in exchange notes. An experiment of this kind was made by a certain Fulcrand Mazel in 1829 1 In this case the bank was merely an entrepol which facilitated the marketing of the goods produced. Such a system is open to the objection that the value of the notes assued in payment for goods would necessarily vary with the fluctuations in the value of these goods during the interval which would clarse between the time they are taken in by the bank and their eventual purchase by consumers Marel gave an exposition of his scheme in a series of parephlets written in very

hombastic language, but only of very slight interest to the economist. Another bank, known as Bonnard's Bank, was established at Marseilles in 1838, and afterwards at Para. The ideas are somewhat similar, but much more practical. Both transfer are still in artire operation. Proudlion refers to this bark in his Capaciti polinges des Clause somether. Courrelle-Seneual gives a very culcyular account of it to his Troub for Ranger, and in an article in the Journal des Economies for April 1853. The media abrevade is explained in three brochures, which may be seen in the Estherbeique Nationale One of these is entitled Lists do Articles deposition & to Eserge, the other two describe the mechanism of the bank. Darmon, one of Preudion's duringles in ha work De la Riforme des Ranques (Para, Guillaumin, efeti: grees on acrourt of a large number of number entitutions which sever founded during it is period. Several enterns of the hand have also been duramed by M. Aucuy in the Statutes securit to Clidage (Paris, 2004). But we cannot accept his interpretation of carnon posts. Remard's Rank differs from the others in it a way. The chemi of the bark motead of bearing it more commentity or other all oh may no may not be sold by the bank, but from the bank mene community which be himself requires promount to mig 'y the bank with a community of his own production whenever the bank require it The lank charges a community on the every trained two. Its one aum is so being lower and teler became, and the some are any is fully passed in acronding to the constrore bruing on them. But they cannot be regarded as solutioned by Land Life ( Rence & Lakenge & Marrie, C. Remord of Co., Judic per An de to Joseph, 1744 Marmille ster



cost of production. This result was to be obtained indirectly. The economic errors in the two cases are also different. Proudbon's read by in his faither to realize that metallic money is a merchandise as well as an instrument of circulation. The error of Owen, of Bray, and of Rodbertus consisted of a failure to see that the price of goods includes something more than the mere amount of labour which they have cost to produce—an error which Proudhon at any rate did not commit.

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Mazel gave an exposition of his scheme in a senes of pamphlets written in very but only of very shirld interest to the economist. Another bank, "mnard's Bank, was established at Marseilles in 1898, and afterwards at ideas are somewhat miniar, but much more practical. Both branches active operation. Proudhon refers to this bank in his Capacité politique des wither. Courcelle-Seneuil gues a very eulogistic account of it in his Trait y jues, and in an article in the Journal des Economistes for April 1853. The module is explained in three brochures, which may be seen in the Bibliothèque make. One of these is entitled Liste des Articles disponibles à la Banque, the other the mechanism of the bank Darimon, one of Proudhon's ducroles, in De la Riforme des Bonques (Paris, Guillaumin, 1856), gives un account of a umber of similar institutions which were founded during this period. Several a of the kind have also been discussed by M. Aucuy in his Systèmes socialutes (Paris, 1907). But we cannot accept his interpretation of various points. nard's Bank differs from the others in this way. The elient of the bank, instead inging it some commodity or other which may or may not be sold by the bank, I the bank some commodity which he himself requires, premining to supply bank with a commodity of his own production whenever the bank requires it. charges a commusion on every transaction. Its one aim is to bring buyer seller together, and the notes are simply bills, payable according to the conditions tten on them But they cannot be regarded as substitutes for Lank bills Cf. cchange de Marinile, C. Bonnerd et Cir, fondie par Acte du 10 Jenter, 1849 armilles, 1849).

THE SOCIALISM OF 1848 Proudlion's plan was to discount the goods already bought or actual delivered. The bank would only advance what was actually promise but would make no charge for accommodation. Depreciation coale only arise if the buyer were insolvent. It could never result from a fall in price as a result of a diminished demand for the product. Proudhon renounced all dealings with solidarity when he distributed Mazel's project.

(3) M. Solvay, a Belgian entrepreneur, has recently elaborated a scheme of social accounting. He also proposes the suppression of metallic money and the introduction of a perfect system of payment.

What Solvay proposed was the replacement of metallic money, nor by bank-notes, but by a 1) stem of cheques and clearing-house plan owes its inspiration to the modern development of the clehouse system. Solvay thought that the system might be so exte as to make the employment of money entirely unnecessary. To c such clearing-house the State would hand over a cheque-book, co ing a sum varying with the amount of real or personal property wh the house possessed. This cheque-book was to have two columns, c for receipts, the other for expenditure. Whenever any commodiwas sold, the liquidation of debt would be effected by the buyer stamping the book on the receipt side and the seller's stamping it or the expenditure side. As soon as the total value of these transactions equalled the initial sum which the cheque-book was supposed to represent the book would be returned to the State bureau, where each and repodute Matel's system root and branch," he declares in an aricle con-

a reputation observe spaces spaces for measurement of the space of December 1848 (Extra, Vol. XVII, p. 221). He s troutes to be reported tecesions, road (teams), on the proof of the had no acquaintance of any kind with Morel. that when he wone first me had no atquatmance or any stand who mean.

M. Mazel who on his own imitative introduced himself to me and fold me the makes who to the unit amounts introduced amount to me and too and foliate." In one of his projects, published on May 10, 1846, Fronthon seems incl. Area. 18 one on its projects, passaurare on may 10, 1050, Frontinon recommendad of the fide, Just for a moment at any rate. Article 17 seems to land at that soops use nee, just no a monomer et any enc. Article (/ sectus et ann a man a monomer et any enc. Article (/ sectus et ann a man a monomer et any enc. Article (/ sectus et ann a man a monomer et any enc. Article (/ sectus et ann a man note with sinespace extrangenous at one uses and at the others or nemotive segment good and service, and in the same way commodities and services can be a supplemental of the same way commodities and services can be a supplemental of the same way commodities and services can be a supplemental to the same way commodities and services can be a supplemental to the same way to the same way to the same way commodities and services can be a supplemental to the same way to the sam Againt goods not service, and in the table way commonities and service was be exchanged for note; "(Example of the Quetter strong p 4).) This strike huntle beach or exchanges for noise. Instance of a Commo tensis, p. 41.) And article passion interpretation which Courtelle-Serval past on it, to has Trail de Operators of B. one processors because the control of the control o (sue cus, 1005). P. 479). And which Util accepts in Rel 17816 & Leasung armore in which innocessory constant a profound analyse and some subtle criticiss of Faculty December 2015. dea. But we think that the article an emply and some more tricement to a second to the act, out we think that this affice was simply an everigit on 170000000 year.

Sprond a formal refutation of Matel's idea there is no reference to it in any of year. of the People's Bank. Moreover, it seems other works, not even in the scheme of the Propin's Bask. Moreover, it avera-ical following to following that the forts would be insued as insue commodition which had been a first an order of the scheme of the s individual account would be made up. "In this way everybody's receipts and expenditure will always be known with absolute clearness."

The advantage of such a system would in the first place consist in the economy of metallic money. In the second place it would furnish the State with information as to the extent of everybody's fortune. The State would then be in possession of the information necessary for setting up an equable scheme of succession duties which would gradually suppress the hereditary transmission of acquired fortune. Such gradual suppression would result in the total extinction of the fundamental injustice of modern society, namely, the inequality of opportunity. It would also help the application of that other principle of distributive justice, namely, 'to each according as he produces.' The idea it's aint-Stimon's reafter than Proudhou's

The scope of the proposed reform is quite clear. Social accounting, according to Solvay, is a mere element in a more general conception, that of 'productivism,' which in various ways is to result in increasing productivity to its maximum.\*

In all this it is impossible to see anything of Proudhon's ideas, With the exception of the suggestion of suppressing metallic money the fundamental conceptions are suterly different. M. Solway makes no pretence to ability to suppress interest, and he never imagines that money is the cause of interest. The cheque and clearing system is a mere device for facilitating cash payment. It has nothing in common with the Proudhonian system, whereby circulating notes are supposed to place credit sales and cash payments on an equal footing. 4

The most serious objection to Solvay's system lies in the fact that the appression of money as a circulating medium must also involve in suppression as a measure of value. It seems difficult to imagine that the universal cheque bank with no monetary support would not result in a rapid inflation of prices because of the superabundance of paper. But although the particular process advocated by Solvay is open to criticism there can be no objection to his desire to diminish the quantity

<sup>&</sup>lt;sup>1</sup> Anales de l'Institut Solosy, Vol. I, p. 19.
<sup>2</sup> G. Principes d'Orientation sociale, a résumé of Solvay's studies in productivism and accounting (Brussels, 1994).

Added you was a second of the second of the

PROUDHON AND THE SOCIALISM OF 1848 of metallic money or to further the ideal of equal opportunity

The project was never successfully put into practice. Like t cognate ideas of 'the right to work,' the organization of labour,' an working men's associations, the idea of 'free credit' has left behin it a mere memory of a sudden cheek.

On January 31, 1849, Proudhon, in the presence of a notary, set up a society known as the People's Bank, with a view to showing the practicability of free credit. The actual organization diff siderably from the theoretical outline of the Exchange Ban Exchange Bank was to have no capital: the People's Bank capital of 5,000,000 france, divided into shares of the value of 3 each. The Exchange Bank was to suppress metallic mone. People's Bank had to be content with isning notes against c kinds of commercial goods only. The Exchange Bank was to sup interest: the People's Bank fixed it at 2 per cent, expecting th could be reduced to a munimum of 1 per cent.

Despite these important changes the bank would not work. At end of three months the subscribed capital was only 18,000 fran although the number of subscribers was almost 12,000. Just at th moment-March 25, 1849-Proudhon was brought before the Sein Assize Court to answer for two articles published on January 16 and 27, 1849, containing an attack on Louis Bonaparte. He was sentenced to three years' impresonment and fined 3000 francs. On April 11 he announced that the experiment would be discontinued, and that "events had already proved too strong for it," which remed to suggest that he had lost faith in the scheme.

From that moment free credit falls into the background, and political and social considerations obtain first place in his later works.

# IV. PROUDHON'S INFLUENCE AFTER 1818

It is extremely difficult to follow the influence of Proudhon's thor after 1818

Karl Mars, who was almost unknown in 1818, became by 1 publication of his Aspital in 1869 practically the sole representative theoretical extesion Mary's Mutre de la Philosophy, published ) 1847, to a Litter structum of the Contradictions bearings, and there Low salettly he was opposed to Frondhon's ideas. To the champion ed colectium the adversee of peannt proprioration is wreter didn't amount put

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comprehensible: the theorist of class war can hardly be expected to sympathize with the advocate of class fusion, the revolutionary with the pacificist.1 The success of Marx's ideas after 1867 cast al previous social systems into the shade. Proudhon, he thought, was a mere petit bourgeoir. When the celebrated International Working Men's Association was being founded in London in 1864 the Parisian workmen who took part in it seemed to be entirely under the influence of Proudhon. At the first International Congress, held at Geneva in 1866, a memorial was presented which bore clear indications of Proudhon's influence, and its recommendations were adopted. At the following Congress, in 1867, Proudhon's ideas met with a more determined resistance, and by the time of the Congress of Brussels (1868), and that of Basle (1869), Marx's influence had become predominant.

One might even doubt whether the Proudhonian ideas defended by the Parisian workmen in 1866 were really those of the Proudhon of 1848. They seemed much more akin to the thesis of his last work, La Capacité politique des Classes ouvrières, published in 1865. This book was itself written under the inspiration of a working men's movement which had arisen in Paris after 1862 as the result of a manifesto signed by sixty Parisian workmen. This manifesto had been submitted to Proudhon as the best-known representative of French socialism. The attitude of the French workmen at the opening of the "International," then, was the effect of a revival of Proudhonism as the outcome of the publication of this new volume rather than a persistence of the ideas of 1848.2

The revival was of short duration. Since then, however, the Marxian

In a letter written to Karl Marx on May 17, 1846 (Correspondence, Vol. 11, p. 199), poper the expression "at the moment of striking," which Mark had employed, Proudhon takes the opportunity of declaring that he is opposed to all kinds of revolution, "You are perhaps still of opinion that no reform is possible without some kind of struggle or revolution, as it used to be called, but which is nothing more or less than a shock to society. That opinion I shared for a long time. I was always willing to ducus it, to explain it, and to defend it. But in my later studies I have completely changed my opinion. I think that it is not in the least necessary, and that consequently we ought not to consider revolution as a means of social reform Revolution means an appeal to force, which is clearly in contradiction to every project of reform. I prefer to put the question in a different fashion, namely, How can we arrange the economic activities of society in such a lashion that the wealth which is at present los to society may be retained for its use?" And in the Confessions Can Ricolationnacie. p. 61: "A revolution is an explosion of organic forces, an evolution spreading from the heart of society through all its members. It can only be justified if it be spontaneous peaceful, and gradual. It would be as tyrannous to try to supports it as to bring it about through soldence." See M. Bourguin's article on Proudhon and Karl Marx in the Reme d'Economie politique, 1893

On this point see Puech, Prouding et l'Internationale (Paris, 1907), preface by M. Andler, and Maxime Leroy's introduction to the book De la Capacid des Classes serving in the edition of his complete works published by Marcel Rivière (Paru, 1924)

CKOUDHON AND THE SOCIALISM OF 1848 ideas have been submitted to very thorough criticism, and m twentieth-century French writers have displayed an entirely new terest in Proudhon's ideas. These writers, chief among whom is George teres in Frontinon a ruear. Anexe WHIGES, Gives among Whom is October Sorel, Combine a great admiration for Marx with a no less real response. for Proudhon. The fact is that Proudhon, though commonly considered a socialist, is above all else an individualist. We shall meet him again in our chapter on the Anarchists. The fault he finds with liberalism is that it could never bring liberty and equality to very one. The allno tract it counts have being success and equality we construct when a powerful State remains for him the supreme danger in modern conmunities. In his Théoric nowelle de la propriété he returns at the end of his life to his earlier ideas, and regards property as "the greatest revolutionary effort in existence that can put up an opposition to power," "The State," he writes,

though constituted in the most rational and the most liberal f. and animated by the purest intentions, is none the less a  $\pi$ power, capable of suping out everything around it if it is not force, square to withing our everything around it it is not some counterweight. What is this counterweight to be 11 shall we find a power capable of counterbalancing this formed soam see ming a power capanie or commercialisticing was nominal might of the State? There is no other except property. Take sugen or suc outer: there is no other except property. The sum total of all the forces of property and you have a might equivalent to the sum of the sum o

Thus it is that "property, in its origin and nature a vicious and ant social principle, is yet destined to become by its very universality an the co-operation of other institutions the pivot and mainspring of the entire social system." This social system is really nothing but generalized liberalism in

which the exchange of services will no longer be villated by the tonopolies and privileges that existing liberalism has neither prevented or opposed. This new liberalism, freed from the defects of the old eralism, is the system of 'mutualism,' in which each will receive ue exactly equal to what he gives in exchange. Proudbon the tains the most impassioned and the most eloquent exponent of the s of the French Revolution, whose principles he extends to the e of social life and not merely to the realm of politics. It is for cason that his presige as a writer has continued to grow during

the last twenty years, so that writers belonging to parties to which he was always hostile claim kinship with him. In this respect he remains the most marked opponent of that State socialism which, as we shall see in a later chapter, has at length won over almost every country during the last half-century, and that finds its completest embodiment in German National Socialism and Russian socialism.

## Book III: Liberalism

It is time we returned to the Classical writers. Now that the combat had grown fierce among its critics, we are anxious to know what the Classical school itself was doing to repel the onslaughts of the enemy. In apparent quiescence must not mislead us into the belief that it was already extinct. Although the great works of Ricardo, Maldhus, and Say were produced early in the century, it cannot be said that economic literature even after that period, especially in England, had remained at a standtill. But no work worthy of comparison with the writings of the first masters or their eloquent critics had as yet appeared. Now, however, the science was to captivate the public ear a second time, and for a short period at least to unite its many votaries.

Out the union was no true one. The Glassical school itself was about to break up into two camps, the English and the French. An no sense can they be regarded as rivals, for they are defenders of the same cause.) They are both champions of the twin principles of Liberalism and Individualism. 4th while the first, with John Stuart Mill as its leader, lent a sympathetic ear to the vigorous criticism now rampant verywhere, which claimed that the older theories ought to yield place to the new, the French school, on the other hand, with Bastiat as its click, struggled against all innovation, and reaffirmed its faith in the "natural order," and laistre-faired.

This divergence really belongs to the origin of the science. Traces of it may be discovered if we compare the Physiocrats with Adam Smith, or J. B. Say with Ricardo; but it was now accentuated, for reasons

that we shall presently indicate.

Our third Book naturally divides itself into two parts, the one

devoted to the French Liberal school, the other to the English

## CHAPTER I: THE OPTIMISTS

The previous Book has shown us the unsettled state of economic science. It has also indicated how the science was turned from its original course by reverses suffered at the hands of criticism, socialism,

and interventionism, which were now vigorous everywhere. The timhard come for an attempt to bring economic science back into in two path and to its old allegiance to the "natural order," a position which if had renounced since the days of the Physicerats and Adam Smith This was the task more specially undertaken by the French recognitis.

The attitude of the French school is not difficult to explain, for the French economists found themselves faced by both socialism and Protection. We must never forget that France is the classic land of socialism. The influence exercised in England by Owen and in Germany by Wettling or Schuster is unworthy of comparison with the exalted role played by Saint-Simon, Fourier, or Frouthen in France. The latter writers wielded a verifiable charm, not merely over working men, but also over the intellectuals, and on that account were all the more dangerous, in the onions of economist.

French Protection was never represented by such a prominent champion as Germany had in List, but it was none the less active. Protection in England succumbed after a feeble reistance to the repeal movement led by Cobden, but in France it was powerful enough to resist the campaign inaugurated by Bustiat. It is true that Napoleon III suppressed 1s. but it soon reappeared, as vigorous as ever

The French whood had thus to meet two adversaries, disputed as over, for Protection was but a counterfeit of socialism, and all the more hateful because it claimed to increase the happiness of properitions and manufacturers—of the wealthy, while so islains did at least aim at increasing the happiness of the workers—of the poor. Protection was also more injurious, for being in operation its ravages were already fit, whereast the other, happiny, was still at the Utopian stage. But in kitting at both adversaries at once the French is chool discovered that it peasawed this advantage, it was free from the reproach that it was serving the interests of a particular class, and could confidently right that it was flowing for the common good.

A war of a hurdred years can scarcely fail to have a mark upon the nation which been the brunt of it, and we think that the affects some explanation of the applicative tendences and of the normative and failure hypotheses for which the French which has so often been retreated.

It is necessary that we should try to understand the line of argument ad spend by the French writers in defending the optimists document

I The last a periodical exempts, the Corpose program the themplose. I find people who gove his simple to the most factor to the entry of the total periodical factor of the total factor of the to

to Count to Posts, m. m., p. 173

which they so easily mistook for the science itself. They argued somewhat as follows:

"Pesimism is the great source of evil. The sombre prophecies of the pessimists have destroyed all belief in 'natural' laws and in the spontaneous organization of society, and men have been driven to seek for better fortune in artificial organization. What is especially needed to refute the attacks of the critics, both socialists and Protectionists, is to free the science from the compromising attitude adopted by Malthus and Ricardo, and to show that their so-called 'laws' have no real foundation. We must strive to show that natural laws lead, not to evil, but to good, although the nath thither be sometimes by way of eval; that individual interests are at bottom one, and only superficially antagonistic; that, as Bastiat put it, if every one would only follow his own interest he would unwittingly find that he was advancing the interests of all." In a word, if pessimism is to be refuted it can only be by the establishment of optimism. It is true that the French school protests against the adjective

optimistic,' and refuses to be called 'orthodox.' Its protests would be justified if optimism implied quietism-that selfish contentment of the well-to-do bourgeois who feels that everything is for the best in this best of all worlds-or the attenuated humanitarianism of those who think that they can allay suffering by kind words or good deeds. It is nothing of the kind. We have already protested against interpreting laistet faire as a mere negation of all activity. It ought to be accepted in the English sense of fair play and of keeping a clear field for the combatants. The economists both of the past and of the present have always been indefatigable wranglers and controversialists of the first order, and they have never hesitated to denounce abuses (But their optimism is based upon the belief that the prevalence of evil in the economic structure is due to the imperfect realization of liberty. The best remedy for these defects is greater and more perfect liberty;1 hence the title "Liberal," to which the school lays claim. The liberty of the worker is the best guarantee against the exploitation of his labour and the reduction of wages. M. Émile Ollivier, the author of the law which suppressed combination fines, declared that freedom of combination would put an end to strikes. Free loans would cause the disappearance of usury. Freedom of trade would put an end to the adulteration of goods and the reign of trusts. Competition would everywhere secure cheap production and just distribution.\*

<sup>1</sup> So many things have we attempted! How is it that liberty, the easiest of all, has herer been given a mini?" (Bastat, Harmonies, chapter is, p. 125.)

One of the sections of Dunoyer's La Librité du Transil is entitled: "Of the True

This optimism, strengthened and intensified, deepened their distents of every kind of social reform undertaken with a view to protecting the weak, whether by the masters themselves or through the intervention of the State. Liberty, so they thought, would finally remedy the exils which it seemed to create, while State intervention merely aggravated the evolt is inquisit to correct.)

What seems still more singular is their scant respect for "associationsism" as outlined in our previous chapter. It found just as little favour as State control. They did not daplay quite the same contempt for it as was shown by the Revolutionists. It was no longer actually condement, and they put forward a formal plea for the right of combination, in politica, in religion, industry, commerce, and labour. But they always interpreted it as a mere right of coalition or susciation with a view to protecting or strengthening individual activity. Association as an instrument of social transformation that would set up cooperation in place of competition, and which in the name of solidarity demanded certain sacrifices from the individual for the take of the community, was not to the liking of the Liberal Individuality school. Even the less ambitious and les complete forms, such as the co-operative and the mutual aid society, seemed to them to be full of illusions and deceptions, if not actually vicious.\(^1\)

The most striking characteristic of the French school is its unbounded faith in individual liberty. This distinctive trait has never been lacking throughout the century and a half that separates us from the time of the Physiocrass. Its most eminent representatives, while spurning the title Orthodox or Classical, have repeatedly declared that they wish for no other name than Liberal.<sup>15</sup>

Means of remedying the Evils from which the Workers suffer, by extending the Sphere of Competition " (Book IV, chapter 2, page 18.)

Sphere of Competition " (600s IV, caspier x, pars. 181)" As a matter of fact, "asy Dunoyer closchere, "this competition which seems such an element of discord at really the one solid bond which links together all the various sections of the social book?"

1 "Whenever the State undertakes to supply the wants of the individual, the individual himself loses his right of free choice and becomes less progressive and less human; and by and by all his fellow citizens are infected with a similar moral indifference." [Bastiat, Homsenset, chapter xvii]. p. 545.)

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<sup>8</sup> On the occasion of the international gathering of economists at the Paris Exposition in July 1900, Levaseur, one of the most moderate members of the Liberal school, raid: "There is no need to draw any distinction between us. Liberal economists It is also marked by a certain want of sympathy with the masses in their sufferings. Science, doubtless, does not make for sympathy. But what we merely with to note is the presence of a certain tendency—already very pronounced in Malthus—to believe that people's misfertunes result from their vices or their improvident habits. The fiberal school was quite prepared to extend an enthusiastic welcome to the teaching of Darwin. We pointed out that a necessary condition of progress was the natural selection of the best by the elimination of the incapable, and that the price paid is not a bit too high. Belief in the virtue of competition led to the glorification of the struggle for life.

But the Liberal school failed to demonstrate the goodness, of all natural laws; neither did it succeed in arresting the progress of either socialism or Protection. The end of the nineteenth century found it submerged beneath the waters of both currents. Yet it never once lost confidence. Its fidelity to principle, its continuity of doctrine, its resolute, noble disdain of unpopularity, have won for it a unique position; and it deserves better than the summary judgment of foreign economists, who describe it as devote of all originality, or at best as only a pale reflection of the doctrine of Adam Smith."

In this chapter we are to study the period when Laberalism and Optimism were at the height of their fame. It runs from 1890 to 1890. It was during this epoch that the union of political and economic liberty took place. Henceforth they are combined in a single cult known as Liberalism. Economic liberty—that is, the free choice of vocation and the free exchange of the frust of one's toll—no longer figured in the category of necessary liberties, alongside of liberty of convicience or freedom of the Press. Lake the others it was one of the successes already achieved by democracy or civulization, and to attempt to suppress it was as vain as to try to make a river flow backward. It was just a part of the wider movement towards freedom from all serviside.

The appearance of political economy at the time when the old regime was showing signs of disintegration is not without significance. The Physiocrau, who were the first Liberal Optimists, were unjustly

ought not to be divided in this way. There may be different opinions on the question of applying our principles, but we are all united on this question of liberty. A man becomes wealthy, successful, or powerful all the sooner if he is free. The more liberty we have, the greater the simulus to labour and thought and to the production of

wealth" (Journal des Economistes, August 15, 1900.)

1 "It is a good thing to have a number of inferior places in society to which families that conduct themselves badly are liable to fall, and from which they can now only by dint of good behavour. Wint is just took a bell." (Donover, La Listeri & Transil.

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ignored and neglected by their own descendants, not because of the economic errors so much as because of their political doctrine especially their acceptance of legal despotism, which seemed to t Liberals of 1830, if not an actual monstrosity, at least a sufficien typical survival of the old regime to discredit the whole Physiocra

Charles Dunoyer's book, which appeared in 1845, and which by the significant title of De la Laberté du Transil, ou simple Espaid un Conditions dans lesquelles les Forces humannes s'exercent ance le plus de Paissystem.1 soure, exactly marks this era of politico-economic Liberalism. But although Dunoyer's book is a eulogy of liberty in all its forms, especially its competitive aspects, the optimistic note is not so marked as it is in another much more celebrated work which appeared about the same date—Les Hermonies Genomiques of Bastiat (1850). The Hermonies and the other works of Bastiat contain all the essential traits of the Liberal doctrine. His extreme optumism and his belief in final causes have been disavowed by a great many of the Liberal economits, but he remain the best-known figure of the Optimistic Liberal group, and possibly

Another economist whose name is inseparably linked with th Optimistic doctrine, and of whom we have already made some mer of the whole French school. tion, is the American Carey. In many respects Carey ought to I given first place, were it only because of his priority as a writer, a Specially, perhaps, since he accuses Bastiat of plagiarism. In treatment of certain aspects of the subject, such as the question method, in the logical consistency of his argument, and in the sc

1 See the discussion of the political doctrine of the Physiceran, pp. 31 st 25. To the cure concession of the pomoras societies of the Edystectus, pp. 31 or specific to the Edystectus of the same work appeared between 1825 and 1830; but the values of the same work appeared between 1825 and 1830; but the values of the same work appeared between 1825 and 1830; but the values of the same work appeared between 1825 and 1830; but the values of the same work appeared between 1825 and 1830; but the values of the same work appeared between 1825 and 1830; but the values of the same work appeared between 1825 and 1830; but the values of the same work appeared between 1825 and 1830; but the values of the same work appeared between 1825 and 1830; but the values of the same work appeared between 1825 and 1830; but the values of the same work appeared between 1825 and 1830; but the values of the same work appeared between 1825 and 1830; but the values of the same work appeared between 1825 and 1830; but the values of the same work appeared between 1825 and 1830; but the values of the same work appeared between 1825 and 1830; but the values of the same work appeared between 1825 and 1830; but the value of the same work appeared between 1825 and 1830; but the value of the same work appeared between 1825 and 1830; but the value of the same work appeared between 1825 and 1830; but the value of the same work appeared between 1825 and 1830; but the value of the same work appeared between 1825 and 1830; but the same work appeared between 1825 and 1830; but the same work appeared between 1825 and 1830; but the same work appeared between 1825 and 1830; but the same work appeared between 1825 and 1830; but the same work appeared between 1825 and 1830; but the same work appeared between 1825 and 1830; but the same work appeared between 1825 and 1830; but the same work appeared between 1825 and 1830; but the same work appeared between 1825 and 1830; but the same work appeared between 1825 and 1830; but the same work appeared between 1825 and 1830; but the same work appeared between 1820 and 1830; but the same work extinuores of the same work appeared network 1025 and 1030; and see consider and had a different title. Discover will again engage our same mark smaller and had a different title. maks ansurer and and a concrete one. Europyer was again engage fairly towards the end of this chapter. G Villey, L'Œura kessenges de Durer (Fairly towards the end of the chapter. Name of the Charles Carry was born at Philadelphia in 1799, and order in 1797. everry unserve every was come at related point in 1725, and serve us to the age of foreyone he followed the profession of a publisher, review as a was the programme on homometer the present of a Puttanher, resurring to a second the puttanher to the puttan cervoir animeti in economic studes. The three volumes of ha fracquirt #27

Economic vorte insort in #325, #398, and thus respectively. In 1848 appeared 7. the present and the factor which contains his theory of reft. In 1899 his Inour reserva, one our reserva minth contains the theory of trees, on 1979 and the letter Agreedband, Manufathered, and Commercial, was published, and in I

a exempter of securi scores.
There damp powers some importance. As the time of the publication of the H. in 1930 Carry wrote a fetter to the Jacob of Samuella securing Estatutions. as superlately errors a sector to the James of Arath, wrote to the same perfect. his Principles of Sucul Science harmony was a sirrary on the point of draith, wrote to the and create the harmony. The drain was a sirrary on the point of draith, wrote to the and create the harmony of the control of t the admitted that he may read Carry's first book, and to make and making any reference to at on the ground that Carry had and a sure of the sure of th services any reverse to n on the ground that Carry has man to make your control of the carry has made the feeth that he heatened to recommend to the feeth that he heatened to recommend the carry that the carry that the heatened to recommend the carry that the carry mercury coints atoms the 2 rench that he brutaint to recommend an un-forces economical have more made the assertion that Basinat errorly counnotes commented have uncer made the sacrone that fourth spare in his but that a a gross congression. Considered is a common factor in his of the terms. out time a a grow exaggregation. Leader-to-right is a common practice to a second but a second to the simultaneous aggregation of the second to the second t the unity theory in England and France.

of his discussion of such a problem as that of rent, he displays a marked superiority. In our exposition of Bastiat's doctrine we shall give to Carey's the attention which it deserves. Our decision to give Bastiat and not Carey the central position in this chapter is due in the first place to the consideration that we are writing primarily for French students, who will be more frequently called upon to read Bastiat than Carey; and, in the second place, to the fact that the works of the American economist appeared at a time when economic instruction scarcely existed in the United States, and consequently his writings never exercised the same influence as those of the French economist. which appeared just when the war of ideas was at its fiercest. Finally, Carey's doctrine is lacking in the beautiful unity of conception of the Harmonies, so that alongside of the advocacy of free competition among individuals is presented an outline of national Protection. Thus we have been forced to divide our treatment of Carey into two sections. The heterogeneous, not to say contradictory, character of his doctrines accounts for his appearing in two different chapters.

Bastiat, both at home and abroad, has always been regarded as the very incarnation of bourgeois political economy. Proudhon,

1 Frédéric Bastiat, born in 1801 near Bayonne, belonged to a family of fairly wealthy merchants, and he himself became in turn a merchant, a farmer in the Landes district, a justice of the peace, a councillor, and finally a deputy in the Constituent Assembly of 1848. He made little impression in the Assembly; but he scarcely had time to become known there before his health gave way. He died at Rome in 1850. at the age of forty-nine

Brief as was Bastiat's life, his literary career was shorter still. It lasted just six years. His first article appeared in the Journal des Economistes in 1844. His one book, appropriately called Les Harmones économiques, written an afice, remains a fragment, In the meantime he published his Pents Pamphlets and his Sophismes, which were aimed at Protection and socialism. He was very anxious to organize a French Free Trade League on the lines of that which won such triumphs in England under the guidance of Cobden, but he did not succeed

His life was that of the publicist rather than the scholar. He was not a bookworm. although he had read Say before he was suneteen, and Franklin's Poor Ruhard's Almsnac soon afterwards. He was very enthusiastic about the merits of Franklin's works, and Franklin's influence upon his writings, even upon his personal appearance and behaviour, is very marked, "With his long hair, his small cap, his long frockcoat, and his large umbrells, he seemed for all the world like a rustic on a visit to town." (Molinars in the Journal des Économistes, February 1851.)

These hiographical details should not be lost sight of, especially by those who accuse him of lacking scientific culture and of being more of a journalist than an

economist.

Despite the fact that he has been severely judged by foreign economists, he is still very popular in France. His wit is a little coarse, his irony somewhat blunt, and his discourses are perhaps too superficial, but his moderation, his good sense, and his lucidity leave an indelible impression on the mind. And we are by no means certain that the Harmonies and the Parablets are not still the best books that a young student of political economy can possibly read. Moreover, we shall find by and by that the purely scientific part of his work is by no means negligible,



balance against it, and that international exchange benefits poor countries most.1

The thesis of the constructive portion of his work is as follows: (The general laws of the social world are in harmony with one another, and in every way tend to the perfection of humanity. A priori, however, are we not confronted with rank disorder everywhere? To that he replies in his well-known apologue, "Things are not what they seem,"
pointing out that we cannot always trust what we see, and that what is not seen is very often true. Apparent antagonisms on closer view often reveal harmonious elements. But man's freedom sometimes breaks the harmony and destroys the liberty of others Especially is this the case with spoliation, which Bastiat never attempts to justify, but denounces whenever he has the chance. But around man and within him are diverse forces which must lead him the way of the good, deviate he never so often, and which will finally and automatically re-establish the harmony. My belief is that evil, far from being antagonistic to the good, in some mysterious way promotes it. while the good can never end in evil. In the final reckoning the good must surely triumoh."3

It is quite evident that this doctrine goes far beyond the conception of 'natural laws,' and implies a belief in a Providential order. Bastiat never shrinks from this position. He never misses an opportunity of declaring his faith in language much clearer than that of the Physiocrats. "God," he writes, "has placed within each individual an irresistible impulse towards the good, and a never-failing light which enables him to discern it."3

Auguste Comte has delivered an eloquent protest against the vain and irrational disposition to think that only the spontaneous can be regarded as conforming to the 'order' of nature. Were this the case any practical difficulty "that presented itself in the course of industrial development could only be met with a kind of solemn resignation under the express sanction of political economy."4

Even as an exposition of the Providential order Bastiat's faith is not

<sup>1</sup> On this question of who benefits by international trade see our discussion of Mill's

treatment of the problem (pp. 369-370). llarmonies, p. 41. Our quotations are taken from the tenth edition of the Gures

completes. "Economic phenomena are not without their efficient cause and their Provi-

dential aim." (Harmoner, last page.) "Looking at this harmony, the economist can join with the astronomer and the

Physiologist and say: Digrass Det est his " (Ibsd., chapter s, p. 59-)
"If every one would only look after his own affairs, God would look after every-

body's." (Bul, chapter viu, p. 200)

\* Auguste Comte, Cours de Philosophie positire, Vol. IV., p. 202.



balance against it, and that international exchange benefits poor

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\* Harassist, p. 21. Our quotations are taken from the tenth edition of the Œurus combiles.

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3 "Economic phenomena are not without their efficient cause and their Providential sim." (Harmanies, Last page)

<sup>&</sup>quot;Looking at this harmony, the economist can join with the astronomer and the physiologist and says Dennis Del ast has " (Bad. character v. p. an.)

Physiologist and say: Digital Dri est he " (list., chapter x, p. 59)
"If every one would only look after his own affairs, God would look after every-

body's" (Bid, chapter via, p. 290.)
Auguste Come, Cour & Philosophic positive, Vol. IV, p. 202.

easy to justify. It by no means agrees with the Christian teaching on the point. For we cannot forget that although Scripture teaches us that both man and nature were declared good when first created by God, it also teaches that both have been entirely perverted by man's iniquity, and that never will they become good of their own accord, since there is no natural means of salvation.\text{Christian people are exhorted to kill the natural man within them and to foster the growt of the new man. Christianity promises a new heaven and a new eart—an infinitely more revolutionary doctrine than that of the economi Optimists. Bastian's God is, after all, just "Le Dies des homes grat' whose praises are suns by Beranger.

What are the facts of this pre-established harmony? What are it laws, and where are they operative? They are in evidence everywhere, Bastiat thinks—in value and exchange, in the institution of private property, in competition, production and consumption, etc. We shall content ourselves with a consideration of the circumstances under which Bastiat thought it was most clearly seen.

## 1: THE THEORY OF SERVICE-VALUE

First of all we have the law of value, "which is to political economy what numbers are to arithmetic."

Ricardo taught that value was determined by the quantity of labour necessary for production. This theory is entirely at one with Bastiatis, and he would have felt no compunction about inserting it in the Hammeits, for a theory of value which showed that every form of property is really based upon labour seemed to accord with the requirements of justice. Vbut although Bastiat's method was almost earlievely deductive, and as little realistic as possible, he could never content himself with an explanation which was all too clearly in conflict with the facts. Such a theory could never explain why the value of a pearl accidentally discovered should equal the value of another laboriously brought from the depths of the sea. Accordingly he sought another explanation, juster, and more in accordance with facts, than Ricardo's.

Carey effected just the needed correction of the Ricardian theory, by propounding another ingenious explanation, namely, that value is determined, not by the quantity of labour actually employed in produc-

<sup>&</sup>lt;sup>4</sup> The fiturgy of the Reformed Church reads as follows: "We acknowledge and confess our manifold sms." See our chapter on "Dortmess that owe their Inspiration to Caristianly" (pp. 514-544).
<sup>3</sup> Mossmitter, Chapter 7, p. 625.

tion, but by the quantity of labour saved.) This would account for those facts that refused to fit in with the Ricardian theory, and the chance pearl was no longer a stumbling-block. Bastiat was evidently attracted by this theory.1 But his satisfaction was by no means complete, for it is not quite clear how a value which is proportional to the amount of layour saved-that is, to labour which never has been and never will be undertaken-can be considered as an economic harmony. But a ray of light illumines the darkness. The labour saved is a kind of service rendered to the person who acquires the commodity. The long-sought explanation is found at last! "Value is the ratio between two exchanged services.\$2 And, seeing that individual property and private fortunes represent sums of values, we might say that a person's property is merely the sum of the services rendered by him Herein lies the harmony. Nothing better could be wished for. and Bastiat exults in his discovery. Everything becomes quite clear. every contradiction is removed, every difficulty solved, if we take for our starting-point the crux of economic theory-namely, why diamonds are considered more valuable than water. The diamond is more valuable simply because the person who gives it to me is rendering me a greater service than he who merely gives me a glass of water, This was not the case on the Medusan raft, but even in that instance, seeing that the service rendered was incalculable, the value must have been immense.

Every solution propounded by economists-utility, scarcity, difficulty of acquisition, cost of production, labour-is included within this conception of service, and "economists of all shades of opinion ought to feel satisfied." "My decision is favourable to every one of them, for they have all seen some aspect of the truth; error being on the other side of the shield." Moreover, the word 'service' has the

1 "I have attempted to show that value is based not so much upon the amount of labour which a thing has cost the person who made it, as upon the amount of labour it saves the persons who obtain it. [He ought to have acknowledged his indebtedness to Carey in this matter.] Hence I have adopted the term 'service,' which implies both ideas." (Harmones, chapter ix, p. 341.)

"Socialists and economists, champions of equality and fraternity, I challenge you, however numerous you may be, to fasse even a shadow of objection to the legitimacy of mutual service voluntarily rendered, and consequently against the institution of private property as I have defined it. With regard to both these considerations, men can only possess values, and values merely represent equal services freely secured and freely given." (Ibid., chapter viii, pp. 265, 268)

Had the limits of this work permitted us to speak of the Italian economists we should have had to refer to Ferrara, professor at Turin from 1849 to 1848, whose theory of value and economic harmony link him to his contemporaries Carry and Bastist The whole economic edifice, according to Ferrars, was built upon cost of production. The value of a commodity is not measured by the amount of labour

advantage of including, besides value properly so called (that is, price of goods), the price of all productive services such as appe under the heads of loans, rent, discount, and interest-in shor Ceverything that can be said to render a service V

One cannot help smiling at Bastiat's naive exultation, for he never realizes that his formula is so comprehensive and includes everything within itself simply because it is an empty form—a mere paur-partnet. It really amounts to saying that value depends upon desirability, and we are not so much farther on after all. On closer view, it even helds that apologetic tone which evidently attracted Bastiat to it. It legitmizes neither value nor property, and even if it did it would simply be by the help of a hypocritical formula, for the word 'service' gives rise to the belief that all value implies a benefit for those who receive it and a virtue in those who give it. But very frequently it is nothing of the kind. The owner of a house or of a piece of land in the city of London which is let or sold at a fabulous price, the capitalist who lends money to a needy borrower at a usurious rate, or the politician even who in return for an enormous bribe secures some financial concession, cannot be said to be rendering any real service, for all these which it really has cost to produce, but by the amount of labour that would be required to produce Another similar commodity, or, if the commodity in queston be absolutely limited in quantity, such as as the case with an old work of art, by the fabour necessary to produce a new one that would satisfy the same need equally well an application of the pranque of substitution which had not been formulated when an approximation on the principle on superstantian which may not over a supposition which may be progress of industry gradually reduces the cost of labour and dispenses with human effort; hence harmony,

berryking, including the earth and its products, even capital, are subject to this mentioning incoming the various and its products, that capacity are support and a gradual diminution of tent and a lowering of the rate of interest are

Ferrary's principal writings consist of prefere to Italian translations of the work certain a principal writings contain or pretace to station transitions or the work.

The were published in a collection known as following different states.

Allements, chapter via, p. 236. The controvery between Buttat and Frouthon in 18 99 concerning the legislatory of interest was published under the ville of Godest and a constrainty are argument to marrie was pursuance to mar on was a constrainty of the segment at a secrety worth examining here. (Battat's argument as about upon the appointen that the person who lends money performs some services seem appear use appearance may be person who sends money persons some serva-or other, and that the errors, whenever given, should be paid for, in other words, he So value, see, uses one service, we receive given, notice to pace long or other woman of the contract of the c to only joint that the owner of the place should get some of them. Prouden replace the place should get some of them. Prouden replace the place should get some of them. Prouden replace the place should get some of them. that he does not deep the legulinety of interest under present conditions, but that that no come men upon one argumancy or interest unior present community with the present of the present community with the presen sucrets uses at past a sucretal enterproper to use a portate that only sectant volume in the sucretal past is will be quite unaccentry under the new prime. The Exchange Book was to be the parent of the new order. The two combinations are extracting mans was to be the partner or the new order. The two treatments of the partner of the new order, the two treatments of the partner of the par one pocusation is very trying 200 brings time nonour to strort.

\*\*The relative importance of any service must vary with the circumstance. This

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A feet the properties of any service must vary win the current and the number of people who are willing to give the number of people who are will not number of people who are will not necessarily the number of people who are will not necessarily the number of people who are will not necessarily the number of people who are will not necessarily the number of people who are will not necessarily the number of people who are will not necessarily the number of people who are will not necessarily the number of people who are will not necessarily the number of people who are will not necessarily the number of people who are will not necessarily the number of people who are will not necessarily the number of people who are will not necessarily the number of people who are will money of the service was a surely, and toe number of proper who are suring to give to a follower of ability or training forcessary up produce it, as well as the known annum to attent, to among or training necessary or processed of labour which it will save us." (Hamseles, chapter v. p. 146.)

have either been solicited or demanded, or perhaps even extorted under pressure. Such abnormal rates of discount, interest, or rent can find no place in Bastiat's formula. From a moral and ethical point of view it is equally futile. It is a mere mask which affords protection as well to the worst exploiter as to the honest tradesman; all are thrown promiscuously into the 'universal harmony,'1

Desnite the iustness of these criticisms, and although Bastiat's attempt to explain value by employing the term 'service' must be regarded as futile, the word has not remained a mere ingenious epithet. On the contrary, it has won for itself a permanent place in economic terminology. We shall again meet with it in the vocabulary of that school which prides itself upon the exactness of its method, namely, the Hedonistic and Mathematical school. These later writers constantly make use of the term 'productive services,' and would find it hard to discover another word having a sufficiently wide connotation \$ It is true that the word 'service,' with all the noble associations of unselfish interest and professional honour which cling to it (compare the phrase 'his Majesty's service'), may lead us astray as to the economic arrangements of society, and that a recollection of the less distinguished uses of the term may cause us to doubt the wisdom of Bastiat's choice Still, it is the best that we can imagine when speaking of the society of the future. It is employed in the same sense as Auguste Comte used the term 'social function,' or as the equivalent of Marshall's 'economic chivalry.'3 In attempting to present to ourselves the society of the future, or at least the society of our dreams, we must hope that the present incentive to economic activity, which is merely the desire for profit, will gradually give place to the idea of social service. When that day dawns a statue ought to be erected to the memory of Bastiat.

## II: THE LAW OF FREE UTILITY AND RENT

Ricardo's law of rent was the optimist's nightmare. Should it by 1 Bastiat himself was obliged to recognize this I have not taken the trouble to ask whether all these services are real and proper or whether men are not sometimes paid for services which they never give. The world is full of such ministres." (Harmonies, chapter v, p. 157.)

But if the world is full of people who are pasd for services which they have never given or for merely imaginary and improper work, what is the use of speaking of value given or for necesy integranty and the second service rendered?

See Gude's article on Lo Nation de la saleur dans Bathat, in the Resus d'Économie politique,

<sup>8</sup> J. B. Say had already employed the term 'service' without giving it any normative significance, simply using it to distinguish between wealth which consists of acts and wealth which consists of material products. 3 Social Possibilities of Economic Chicolry, in Economic Journal, March 1907.

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and there prove two, then the institution of property must be abanchised alreadings, and suchary must be with the aveilable, when the encount of regarded as summable of a swell mission. It was necessary, then, at all costs, to show that the law had in earling to forcedistion, and with the rest in since Bartist attempts to defend the paralles that nature or land gratinfordig year its products to all men. Dut must we really say that costs and read, the products of soil and more, forcalls do not pay for the timelike of grating them? In other words, have they no value? Bestut replies that they distributes powers some value, but that the price paid for them does not cover the natural utility of those products. It merely covers cost of production, and is only just sufferent to combine the proposets for the expense incurred. Every product contains two layers of supermoored utilities. The

Livity product contains two layers of superimposed stilliers. The one is beyen of enerous teal and must be paid for It constitutes what we call value. The other, which is thrown into the bargain, is a gift of nature, and as such is never paid for. This lower stratum, though it is of considerable importance, a seconced imply because it is not revealed in once. It is invasible because it is fire.

But when a commodity is fire, like air, light, or running water, it is the common possession of everybody. The same dea may be expressed by asying that below the apparent layer of value which constitutes individual property there les an invisible layer of common property which benefits every body alike. "What Providence decreed should be common has tremained to throughout the whole history of human transactions."

"This," says Butiat, "is the essential law of social harmony." The jornionist, who in the Ricardian theory figures as a kind of dragon, jornionist, and in the Ricardian theory figures as a kind of dragon, enjoyed on payment of a fine, or who in Proudhon's passionate invertives in denounced as an interceptor of the gifts of God, appears to Busint as a more intermediary between nature and consumer. He is like a good servant who draws water from a common fount, and receives payment for the water drawn, but solely for the trouble of drawing it."

<sup>1 &</sup>quot;And I also declare that you have not intercepted any of the guts of God. It so true that you received them free out of nature's hand. But it is equally true that you have handed them on freely, reserving nothing for yourself. Fear not, but live in peace and freedom from every qualin." (Hammout, chapter viii, p. 237).

<sup>&</sup>quot;Gad is free for every one. There as arither parada on engression in that. If the first a the water of the brook, if we only a substant on the parada on the

Say spoke of free natural agents. What he meant to refer to was such natural commodities as air and water, which are at the duposal of every one.

But there is a still greater degree of harmony. Of the two elements
—the onerous and the gratuitous—which enter into the composition
of all forms of wealth, the former gradually tends to lose its importance
relatively to the latter. It is a general law of industry that as invention
progresses the human effort necessary to obtain the same satisfaction
diminishes. New labour is almost always more productive than old,
and this is true with regard to all products, whether corn or coal, steel
or cotton. It is true not only of the products of the land, but also of
the land itself. The cost of clearing new land is duminishing, just as
the expense of making new matchinery is decreasing. The natural
utility, on the contrary, is never diminished. Corn has to-day exactly
the same utility as it had on the morrow of the Deluge

Property being nothing more than a sum of values, every diminution of value must be interpreted as a constant restriction of the rights of property.

Hence this result, "which reveals a most important fact for the science, a fact, if I mistake not, as yet unperceived," namely, that in every progressive society common or gratuitous utility never stops growing, while the more arduous portion, which is usually appropriated, gradually contracts. Present society is already communistic, and is becoming more so every day.

The idea is indeed an attractive one. Individual property is like a number of islands surrounded by a vast communal sea which is consularly rising, feeting their coasts and reducing their areas. When labow has become all-powerful and when science had dispensed with effort the last idet of property will sink beneath the wave of free utility. And so Bastist triumphantly exclaums: "You communists dream of a future communisms. Here you have the actual thing. All utilities are freely given by the present social order provided we facilitate exchange."

Bastiat, usually so logical, seems inclined to be sophistical here. If we seek beneath this brilliant demonstration we shall merely find the statement that rent is non-existent because the value of commodities—including all natural products—can never exercit cost of production. This cost of production is being continually lowered, and so the value of goods must be failine.

But the statement requires proof. There is nothing to show how the price of natural goods under the influence of competition would tend to fall to the level of cost of production—still less to the minimum level. There is no redutation either of the differential or unonpolistic theory of rent. There is doubtless this much truth in it: nature does

<sup>1</sup> Harmonies, chapter viii, p. 256.

<sup>\$</sup> Ibid., chapter v. p. 142.

not create value, nor does it demand payment for it. No one wo to-day say that a single cent of the price of corn or coal was meant payment for the alimentary properties of the one or the calori capacity of the other. But although it is true that nature asks nothin in return, it is not correct to say that the landowner demands nothing except payment for trouble and expenditure incurred. And this extra gain he never relinquishes unless under pressure of competition. But this very seldom happens, and economic theorists have to be content merely with showing how the sale price usually exceeds the cost of production, and how this excess is variously known as rent, profits, or surplus value.

Bastiat was fully conscious of the weakness of his argument. He saw quite clearly that possession of a suitable piece of land in the saw quite treatify that procession of a sunsaw price of sunsaw and champs-Elysecs would carn something more than mere payment for labour and outgoings. It is then that he takes refuge in his theory value, and attempts to show that the proprietor will never draw m than the price of the service rendered. This may be true. But b mere fact of possessing a natural source of wealth permits of the raisin of the price of these goods a great deal, and then what becomes o community of interests, and of the theory that the goods are handed on by the proprietor free of any charge? "How superior is Carey's theory, both in its scientific value and in its

social import! Carey follows Ricardo step by step, whereas it seems that Eastiat had only a very imperfect acquaintance with the Ricardian theory,! In reply to the statement that the value of corn rises progreatively because the more fertile lands are excupied first, and the less fertile have to be utilized afterwards, Confey points out that, on the contrary, cultivation begins with the poorer land first, and that the richest is the last to be cultivated. The consequence is just the reverse of what Ricardo predicted. As production increases, th of corn will be lowered. The process of reasoning by which reversal of the order of cultivation is demonstrated is very intere The domestication of land, if the phrase be permissible, like

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<sup>1</sup> Bastias does not seem to have studied rent. The chapter of the Harmans on subject was never completed. Feniciny, one of his disciple, write a billiant is considered. called D. Reew forces (1854), which is almost forgotten to-day. He attempted fertile and suitably cultivated.

<sup>(1)</sup> That Ricardian or differential tent would not exist were all the land equa

<sup>(4)</sup> That is incorrect to speak of the rent of natural fertility, as Adam Smit and the physicism is incertest to speak of the frest of natural sensity, as noten among the physicism def, if all utshey hand not merely raised is the product of human or the product of human physicism is the product of human physicism in the product of human physicism is the product of human physicism in the product of human physicism is the product of human physicism in the product of human physicism is the product of human physicism in the product of human physicism is the product of human physicism in the product of human physicism is the product of human physicism in the product of human physicism is the product of human physicism in the product of human physicism is the product of human physicism in the product of human physicism is the product of human physicism in the product of human physicism is the product of human physicism in the product of human physicism is the product of human physicism in the product of human physicism is the product of human physicism in the product of human physicism is the product of human physicism in the product of human physicism is the product of human physicism in the product of human physicism is the product of human physicism in the product of human physicism is the product of human physicism in the product of human physicism is the product of human physicism in the product of human physicism is the product of human physicism in the product of human physicism is the product of human physicism in the product of human physicism is the product of human physicism in the product of human physicism is the product of human physicism in the product of human physicism is the product of human physicism in the product of human physicism is the product of human physicism in the product of human physicism is the product of human physicism in the product of human physicism is the product of human physicism in the physicism is the physicism in the physicism in the physicism is the physicism in the p atour, A tath, a grape, a grain of wheat, a fat or, all of them have been terrors or the manufacture. Nature is for ever incapable of doing this. This is quite true if we nature about the manufacture of the manufacture is the manufacture of the manufacture. asynature alone, but it is equally true of labour taken by itself.

utilization of all natural forces, takes place according to the inverted order of their strength. Animals are domesticated before man harnesses wind or water, and water and wind are employed before there is any thought of vapour or electricity. The same is true of land. Fertile land in its natural state is either overrun with vegetation, which must be grubbed up, or is covered with water, which must be drained off. "Rich land is the terror of the emigrant." Its virgin forests must be felled, its wild animals destroyed, its marshes drained, and its pestilential miasmas rendered innocuous if it is not to become a mere graveyard. And not until several generations have given of their toil will it be of much use. Rather than undertake the task the earliest emigrant seeks the lighter soils of the hill-side, which are better adapted to his feeble means, as well as safer and more easily defended.

That this theory is well founded may be very clearly seen if we watch the progress of cultivation or the colonization of new lands, or clance at the general history of civilization. Men group themselves in villages on the higher levels or build their castles on the slopes of the hills, and only descend slowly and carefully into the lower plains. How many are the localities in France where the new town may be seen overspreading the plain close to the old city which still crests the hill! The various national gods-Hercules, for example, who stifled the hydra of Lerna in his arms and shot the birds of Stymphalus's pool with his arrows-are in all probability just the men who first dared to break up the alluvial soils This theory, again, is open to the same objection as Ricardo's. It

applies to some cases only, and under certain conditions. Ricardo's theory explained the facts relative to England, where population presses heavily upon the limited area of a small island already well occupied. Carey's theory is equally well adapted to an immense continent, with a thinly scattered population, occupying only a few cultivated islets amid the vast ocean of virgin forest and prairie. The two theories are not contradictory. They apply to two different sets of conditions, or to successive phases of economic evolution. And seeing that Ricardo's applies to the more advanced stage of civilization, it certainly ought to have the last word. If Carey were writing now he would probably express himself somewhat differently, for it is no longer true even of the United States that the more fertile lands are still awaiting cultivation. Only the poorer and the more arid plains remain uncultivated, and here dry farming has to be resorted to. So that even in the 'Far West' Ricardo's theory is closer to the facts than Carey's. Rents are Carry, Propolic of Social Science

tising everywhere, and not a few American millionaires own it

Is n first possible that Rettiat hard some knowledge of Carey's them for the there's it outlined in The Part, the Perint, and the Fator, put lathert by Carry a lattle before Ramai's death, as well as in his Secient Suece, which appeared ten years later. At any rate, let us tender thanks to both of them for the suggestive thought that as human power there nature increases, effort, difficulty, and value, which as the outcome of difficulty, will disappear, and that, consequently, the sum total of real wealth at the disposal of every one will increase, but that the pear will be those who will benefit most a

III THE RELATION OF PROFITS TO WAGES The law of rent was not the only discordant note. That other las which stated that profits vary inversely with wages was also disconsist and needed refuting Buttat emphasizes the contrast between it and his new law of harmony, according to which the interess of capital and labour are one, their respective shares increase together, and the proportion given to labour grows more rapidly oven than capital's. of the following table:

That is the conclusion which Bastiat washes to illustrate by means

First period Second period	Total Product	-	na n	o illustra	te by	me
Third period Fourth period	2000 2000	500 (30 per	tent.)	Labor 500 (50	r's Sha	tre-
This law he speak ary, and inflexible la	foon s of as "the	1050 35	' '	1200 (60 1950 (65 2800 (70	*	PL)

This law he speaks of as "the great, admirable, comforting, necestary, and inflexible law of capital."

The proof is very sample—too sample, perhaps. It rests entirely upon the law concerning the lowering of the rate of interest, noted by Turgot and other economists long before Bastiat's time. If capital, instead of asking 5 per cent, only demands 3 per cent, then its share

Even in Algeria, for example, where Carry's theory was at first true, now that the fertile plain of the Mindja has been culm and by two green tones of coloniar as a term of the Mindja has been culm and by two green tones of coloniar as a creon and, sorre it only accorded as land available.

Weaths constitute the right to command the services of nature, which are always

free." (Carey, Franches of Sanal Science, Vol. I, chapter sus. Thank power over nature grows, has power over his fellow-men seems to do indic

plane, for example, the relative equality of comfort enjoyed by those who travel frespectus of the distinctions (which are only to be found in some countries) the former method of travelling by post-chane.

we connect mention of travelling by post-thase.

(Aprillars and workers don't look as one another with an air of defiance and engeaner!" (Harmonies, p 252.)

is diminished, and any further diminution of its share must mean an increase of the proportion available for labour.

But a reletive diminution of this kind will not prevent capital drawing an absolutely greater share, provided the total produce goes on
increasing, as is the case in every progressive community. Its total
share, though on the increase, may be decreasing relatively to the
share which goes to labour. For example, the total product may be
tripled, capital's share having doubled in the meantime, while labour's
portion is quadrupled. Unfortunately this is a purely sophistical argument. The figures given in the table are simply invented to meet the
needs of the case. Even the universality of the law concerning its
lowering of the rate of interest is open to dispute. Economic history
seems to point to a series of periodic oscillations of the rate, and quite
recently it has risen very considerably.

The so-called 'law' becomes more than doubtful if, following Bastiat, we include under the term interest, not merely net interest, but also profits and dividends and all kinds of returns from capital.

But, even admitting that such a law is thoroughly established, does that prove that capital's share is decreasing? A lowering of the rate of interest cannot affect the capital already invested in factories, munes, railways, State funds, etc. The latter will not draw a penny less, and a fall in the rate of interest will increase the value of all old capital. Every capitalist knows this and speculates on the chance of its happening.

Only in the case of new capital, then, will a lower rate of interest reduce the capitalist's share. If by any chance this new capital should prove less productive than the old it may then happen that the reduced rate of interest will mean an equal or even a greater rise in the remuneration of labour. This is quite a probable contingency, and the proof advanced by economists who believe in a gradual lowering of the rate of interest is just this very fact that new capital is generally less productive than old.

In short, the problem presented by the rate of interest, implying as it does a certain connexion between the value of the capital and the value of the revenue, is entirely different from the question as to what share of the produce will eventually fall to the lot of the capitalist and what to the workers.<sup>‡</sup>

site point of view and attempted to argue on the strength of the "iron law" that

A howering of the rate of untrest from 5 to 5 per cent, mean that what formerly out £60 and syleled 3 per cent, will now cent £60. Three no no detrease of the revenue and there is an increase in the capital. It is quite a good bargain. A lowering of the rate of interest will imply reduce the amount of capital in those retrainers where the borrower can effect a convention to his own advantage.

This truth is no obvious that Robbertina, as we hall are by and by, took the oppo-

Not only is the demonstration which Bastiat thought he had g false, but the thesis itself is very doubtful when tested by the fa Statistics seem to show quite clearly—Bastiat's law notwithstand and not depreciating the influence of other powerful factors, such trade unions, strikes, and State intervention—that during the cour of the nineteenth century the share of the social revenue which falls t the lot of capital has increased more rapidly than labour's.1

# IV: THE SUBORDINATION OF PRODUCER TO CONSUMER

Bastiat laid considerable stress upon this principle, but it is not easy to realize its harmonic significance.

The subordination of producer to consumer is nothing less than the subordination of private to general interest. Producers always consult their own interests, and are continually in search of profits. Si everything invented with a view to increasing profits results in loss ing prices, so that the consumer is the person who finally benefits l it. And so economic laws, the law of competition and of value, con strain the producer who really wishes to be selfish to be altruistic, even despite himself. The laws outwit him, but his undoing benefits every one che. While working for a maximum profit he is really toiling to satisfy the needs of others in the most economical fashion, and therein lies the harmony.

In all difficult economic problems the criterion should be thu: What solution will prove most advantageous to consumen? Never ught we ask what will be most profitable for producers, although, afortunately, this is the more usual quession. In matters of intertional trade, when the interest of the producer is upperment, Proten is catablished. If we only consulted the interest of consumer e Trade would become an immediate necessity. Or take the case ublic or private expenditure. The producer can bring himself to

if share is always increasing, while labour's is decreasing. This their seems in to better foundation than the other See an article by Rat rounded four as commenced that the other see as arms of an assess of the second policy of March 1905 at a thron may done be seen in Carry. The Liberal wheel base clearly whenever Carlo Philad Emmy, p. yrs English transition, and Colonis Philad Emmy, p. yrs English transition, and Colonis Philad Vol. III. p. 46 Arresting to Colum, capital's share has qualrupted now the labour's has only increased to the proportion of 1 11 as the earth is the frest reservoir of electricity, so the public or the tomthe one source of any gain or him which the product praise or self-retions but to the commer Generated very higher to grant grain and a fact to the commer Generated very higher the grant grains. alled from the Consumer's point of sizes of we want to get bods of its praced

excuse or even to approve of breaking windows or wasting powder, but the consumer unceremoniously condemns all such destruction of wealth as useless consumption.

But Batiat is not content with giving the consumer mere economic pre-eminence. He is equally anxious to demonstrate his moral superiority. "If humanity is to be perfected, it must be by the conversion of consumers, and not by the moralizing of producers," and so, he holds consumers responsible for the production of unnecessary or worthless commodities, such as alcohol.\(^1\) Bastiat's contribution to this subject is quite first-class, and may possibly be his best claim to a place among the great economists. He was not far wrong when on his deathhol he delivered to his disciples as his last instructions—his sociaisms trabs," Political economy should be studied from the consumer's standpoint."\(^1\) This distinguishes him from his famous antagonist, Proudhon, who always had the producer's interest at heart.

The only things with which we can reproach Bastiat are a too persistent faith in natural harmonics and a belief in the efficacy of ordinary economic laws to bring about the supremacy of the consumer. In fact, the consumer's rigin has not yet come, and the economic mechanism is becoming more and more the tool of the profit-maker. The consumer has had to seek in organization a method of defending his own interests and those of the public, with whose interests his own are often confused. This is why we have institutions like the co-operature society and the consumer's league. His moralization, moreover, is not entirely his own affair. Before the consumer realizes the full measure of his respoisibility and the extent of his duties a great deal of work will be necessary on the part of buyers' social leagues, temperance leagues, etc.

Strangely enough, economists of the Liberal Individualist school view such institutions with a somewhat critical eye.

### V: THE LAW OF SOLIDARITY

We must not forget, as most writers on the subject seem to have done, that Bastiat was the first to give the law of solidarity—so popular in the economics of to-day—a position of honour within the science of political economy.\* One of the unfinished chapters of the Harmones,

See one of Bastiat's best-known pamphlets, La Vitre cassle.

<sup>\*</sup> Harmonies, chapter vi, p. 419.

Quoted by his friend Paillottet in his preface to the Œutrer complites.

Eg, Yves Guyot in the Journal des Economister for 1904 et passum, See p. 326.

The word is not his sevention. That honour is claimed by Pierre Leroux. See p. 245.

entitled "Solidarity," was meant to expound the their that "so is just a collection of solidarities woven together,"

The name is deceptive, however, and his conception of solidar is quite different from the one current to-day, while the conclusion drawn are by no means similar.

The fundamental doctrine upon which the Solidarius of to-da would base a new morality is briefly this: Every individual owes all the good with which he is endowed, and all the evil with which he is encumbered, to others. So whether he is wealthy or poor, viruous encumments, to others, so writtner ne a weattry or poor, various, it is his duty to share with those who are worse off, and he has a right to demand a share from those who are better off. Only in this way can we justify legal assistance, insurance, Factory Acts, education, and taxation. The doctrine is a negation, or at the very least a modification, of the strict principle of individual responsibility.)

But Bastiat views it differently. He has no desire to weaken individual responsibility, for responsibility must be the indispensable Corrective of liberty. And solidarity, because of the feeling of interdependence to which it gives rise, u so bewildering that Estitat anxiously asks whether solidarity is actually necessary "in order hasten or to secure the just retribution of deeds done." A dox Survey reconciles him to the prospect, for he sees in it a means of extend ing and deepening individual responsibility. Seeing that the results of good and bad deeds react upon every one, everybody must be interested in furthering every good deed and in repressing the bad, especially since every deed reacts upon its author with its original force multiplied a thousand, and perhaps a million times. The harmony just consists in that Bastiat's solidarity aims, not at the development of fraternity, but at the strengthening of justice. It does not urge upon society the duty of permitting no differences among its members, but it does emphatize the importance of handling the scourge or bestowing the palm with greater impartiality. And Bastial. despite his law of solidarity—nay, possibly because of that very definitely rejects all legal assistance, even in the case of deserted dreni National insurance, old age pensions, profit-sharing,

starmout, capter sax, p. b24.

There is no a man lying whose character has not been determined by a thous actors entirely beyond his control." (Btd., p. 623.) "All profit by the progress of the one, and the one by the progress of the many bid., chapter xt, p 411.)

one, chapter as, p. 411.)

\*\*Solidarity implies a kind of collective responsibility. And so solidarity as well accounts. reponsibility in the state of concerns responsibility. And so assessing as a concern responsibility of a force that makes for progress. It is \$198000 that is admirable to the state of the representatives a sorre that makes for progress. It is a system that is annually culated to check evil and to advance the good." [life, chapter act, pp. 62-66.]

education, everything that is comprised under the term 'social solidarity' is cast aside.1

- It is a terribly individualistic conception of solidarity. Comparison with Carey's ideas is again interesting. Carey may seem to ignore it altogether, inasmuch as he never mentions the name. But if the name was unknown to him he gave a good description of the principle itself when he referred to it as "the power of association." And he was also probably the first to put the double character of solidarity, as we know it to-day, in a clear light:
  - (1) As the differences among mankind increase in number and intensity the more perfect will solidarity become.
  - (2) Individuality, instead of being weakened by it, is strengthened and intensified.

Some one may perhaps point out that in our treatment of the Optimists' attack upon the great Classical laws no mention has been made of that terribly discordant theme. Malthus's law of population. which ascribes all vice and misery to the operation of a natural instruct. On this particular point Bastiat's treatment is lacking in both vigour and originality. His reply merely amounts to showing that the preventive obstacles, such as shame and continence, religious feeling and the desire for equality, all of which limit the number of children, are equally natural, so that nature has placed a remedy alongside of the evil.

A more solid argument, borrowed from Carey, attempts to show how a growing density of population allows of a growth of production. so that the production of commodities may develop bari bassu with the growth of population, or may even exceed it. Carey relied upon his own observations. All over the vast American continent, especially on the immense plains of the Mississippi, he noticed that the few encampments of the poor tribes that dwelt there were being rapidly replaced

1 "Workers must understand that these collective funds [pension funds] must be voluntarily contributed by those who are to have a share in them. It would be quite unjust, as well as anti-social, to raise them by means of taxation-that is, by forcefrom the classes who have no share in the benefits " (Harmomes, chapter xiv, p. 471.)

"A peasant marries late in the hope of having a small family, and we force him to rear other people's children. He has to contribute towards the rearing of bastards." (Ibid , chapter xx, pp. 617, 618 )

Speaking of sharing in the benefits, he remarks "That is really not worth talking about." (Ibid , chapter xiv. p. 457 )

2 "Organisms in nature have their rank and degree of perfection determined by the number of organs which they possess and the amount of difference which exists between each of them " (Social Science, Vol III, p 461)

"Life has been defined as an exchange of mutual obligations, but if there were no difference between the various objects how could the exchange take place?" (Ibid., Vol. I, pp 54-55)

"The more perfectly co-ordinated the whole is, the better developed will be each of in parts" (18th, Vol. III, p. 462)

by large industrial centres. Such an increase of population in imme diate contiguity naturally resulted in a great amassing of wealth.

We have already noted the fact that the growth of wealth in th United States has outstripped the increase in its population. Th simultaneous development of Germany, both in numbers and wealth is still more striking.

But Carey's population theory is open to the same criticism as was urged against his theory of rent. Up to a certain degree of density it is undoubtedly true, but there is no ground for believing that it holds good beyond this.

Bastiat's name is frequently linked with Dunoyer's, to whom we have already had occasion to refer. J Dunoyer was one of the most militant of the politico-economic Liberals, and fully shared their belief that free competition, have a sufficient solution for every social problem. The obvious drawbacks of free competition, he thought, were due to its imperfect character. No one was more opposed to State Socialism and to intervention of every kind. He was opposed to labour legislation, to Protection, to the regulation of the fights of property, and even to the State management of forests. As we have already remarked, he was against every kind of combination, because it stood as a nobtacle in the path of free competition.

Logically enough he was in favour of the free disposal of land, and would not even make any reservations in favour of heirs. He refuer to recognize the right of entail because the exercise of the testator's liberty necessarily involves the curtailment of the liberty of his successors.

Some of the arguments which he employ in support of fire erdefined are quite novel. The following is one of the most interesting Admitting that it is not to the advantage of a poor country to tradwith another which is wealther or industrially superior, the same bind, must apply to the poore districts of a country in their dealing with

Charles Dunoyer was Bastiat's senior. The first edition of De la Librid de Bood, to which we have already referred, dates from 1825, and the last elition from 184. He took an active part in opposing the Restoration Government, but he became prefers and whoeveneth Comelled of List under Louis Philippe.

\*Modurar, a modern French economic boths smaller were.

If a prome ded insectate Research was in Frence of equal devision of wealth. The
arguments which he employed are very interesting, especially those directed seven
the substitute of promogenature. They thought that by depriving the power-greater
their substitutes they became more undustries and only the region of the consection is
defined as the seven of the substitute of the substitute of the seven as a well, "for a no absorbed without the direction of the hard
of training which as no profitable to his promper brothers." Disnover length and
of the first of the substitute of the scale and the seven of
which here price of with he arguments of the scale that their has no at his word.

other provinces that have suddenly become rich, or with rich provinces recently acquired by conquest. But "as soon as they are anuexed their superiority presumably disappears." The argument is amusing, but not very solid. It is not impossible that free exchange, even within the bounds of the same country, may have the effect of drawing capital and labour from the poorer districts towards the richer, from Creuse or Cortica to Paris. This is just what does happen. It is not, perhaps, a very serious eval, because what France loses on the one hand she gains on the other; but if Creuse or Cortica were independent states, anxious to preserve their individuality, we could understand their taking measures to prevent this drainage. It is true that it is not easy to see how protective rights could accomplish this—a point which Dunosyer might well have emphasized.

We cannot speak of Dunoyer without saying a word about his theory of production. Labour with lim is everything. Nature and raw material are nothing. He stands at the opposite pole to the Physiocrati, and supplied a handle to those socialists who before Marx's day had thought that labour was the only source of wealth, and that consequently all wealth should belong to the worker. But he pays no very great attention to this idea. His cluef concern is with production, and not with distribution.

From this view of production he draws several interesting conclusions.

In the first place, it matters little to him whether labour is applied to material objects or not. That makes no difference, so far as its character or productivity is concerned, for in both cases what is produced is an immaterial thing called utility. What the baker produces is not bread, but the wherevalual to satufy a certain desure. This is exactly what the prima doma produces. The so-called laberal professions are placed in the same category as manual work, and in this respect again Dunoyer takes up a position opposed to that of the Phytiocrans.

<sup>10</sup> Labour is the only source of productive power. Capital is a human creation, and land is simply a form of capital," (De la Librit du Tracai, Book VI.)

"Say had already recognized the claims of immaterial wealth alreagules of materials and be had employed the term 'services' in dearthing them. In this way the considered that the professor, the discotor and the actor had claims to be regarded as producers. Distroyer, while accepting his conclusion, criticuses his way of parting n. He recognizes no distinction between material and immaterial wealth. There is moting but utility. "It is tree that these, cleatation, feet, are immaterial, but so is everything that man producer." But he is entirely wrong when he say that a good of see a synthetic of estiglatement ones and a doctor a producer of healthy person. We have a support of the control of the control

SECTING OF THE CLASSICAL SCHOOL Contrary to what might have been expected, this large exter of the concept production fails to include commerce. Dunoyer app the title productive to the singer, but refuses it to the merchant, a by this strange reversal he arrives once again at the Physiocratic po tion. Exchange is not productive because buying and selling do not involve any work, and where there is no work there is no produc tion. Exchange creates utilities, and it is not easy to understand what more Dunoyer expects from it, seeing he admits that labour can do nothing more. Exchange, he thought, was a purely legal transction. nouting more, backmange, no ununger, was a purery regard or anadarum, and he was leath to admit that any act of a 'corporate will' without and the was touch to admit that any act to a corporate with minous could create wealth, Just at the Physician found it impossible to think of wealth other than as a product of the

## Serviora reill.

# CHAPTER II: THE APOGEE AND DECLINE ( THE CLASSICAL SCHOOL. JOHN STUART MIL

While the French economist, alarmed at the consequences involve In the theories of Malthus and Ricardo, strove to transmute the Beaten law into Golden ones, the English economius pursued their wonted Casks, never once troubled by the thought that they were possibly forging a weapon for their own destruction at the hands of socialists. (The thirty years which separate the publication of Ricardo) ranciples of Political Economy (1817) from Mill's book bearing the same the are occupied by economists of the second rank, who apply them-

yes, not to the discovery of new principles, but to the development d co-ordination of those already formulated.) Of course we must lose sight of the mass of critical work bearing upon certain aspects of current doctrines, which was produced by English economists just about this time. But their ideas attracted as little attention as did Cournot's in France or Gossen's in Germany.

These were the days when Mas Martineau and Mrs Marcet gave expositions of political economy in the form of tales, or convensions

assembled to field how many there are and the originally which they also, and so to accomment to time now many there are and the originally which they need that several of the more important modern theories are simply reducewise.

<sup>1.</sup> Labour and exchange belong to two categories of facts which are absolutely in the same states tends distinct in their nature. Labour implies production. Commerce and exchange imply nothing of the last " // / / / / million production. Commerce and exchange imply totales in their name. Sanate impairs provinced in continue of the kind " (Dr & Librit de Tracel, p. 579) nothing of the land " (De la Librat de Trauxi, p. 595).

3 Selfgrand in the Economy Januar for 1973, pp. 313 and 311, directer two very interming actives none whenever under the "sile of Same Verletal British Communit. One
in automated on fined has been considered and the selection of the sel

with "young Caroline," when MacWickar, writing his First Lessons in Political Economy for the use of Elementary Schools, expressed the belief that the science was already complete. The first principles of political economy," he wrote, "are mere truisms which children might well understand, and which they ought to be taught. A hundred years ago only savants could fathom them. To-day they are the commonplaces

of the nursery, and the only real difficulty is their too great simplicity,"2 We cannot attempt the individual study of all the economists of We cannot attempt the individual study of an inmore space than we can give him in this history, and is perhaps the best representative of the Classical school, showing its good and bad points better than any other writer. He removed from political economy every trace of system, every suggestion of social reform, every connexion with a moral or conscious order, reducing it to a small number of essential, unchangeable principles. Four propositions seemed sufficient for this new Euclid, all necessary corollaries being easily deducible from one or other of these. Senior's ambition was to make an exact science of it, and he deserves to be remembered as one of the founders of pure economics.

the is responsible for the introduction into political economy of a 2//4 new and hitherto neglected element, namely, an analysis of abstinence. or saving.) (The former word, which is Senior's choice, is the more striking and precise term.) It is true enough, as Senior remarks, that abstinence does not create wealth, but it constitutes a title to wealth, because it involves sacrifice and pain just as labour does. Hitherto the income of capital had been the least defensible of all revenues, for Ricardo had only discussed it incidentally, and had represented it as a surplus left over after paying wages. The claim of capital was believed to be as evident as that of land or labour, and there was no need for

Mrs Marcet's Conversations belong to 1817, Mrs Martineau's Illustrations to 1849 The latter had a wonderful vorue.

Quoted by Seager in a lecture on economics at Columbia University in 1908. We have already referred to McCulloch and James Mill, two of Ricardo's immediste disciples. We must just add the names of Torrens and Gibbon Wakefield Wakefeld was the author of a book which had a great reputation at one time, but which was simply an attempt to apply the Ricardian principles to the practice of

colonization.

Returns in Agriculture.

Nassau Senior during a part of his life was Professor of Political Economy at Oxford The Oxford chair, created in 1825, was the first chair of economics to be established in England. His writings, which treat of various subjects, belong to the period 1827-52. The bulk of his doctrine is contained in his Political Economy, contributed to the Encyclopadia Brilannica in 1836 and afterwards published separately, Thu small volume may be regarded as the earliest manual of political economy. \*\* The four principles were (i) the Hedonistic Principle; (u) the Principle of Population; (iii) the Law of Increasing Returns in Industry; (iv) the Law of Diminishing

to section for the bare lates belong to enterty different categories. Keet in a position of section of the necessary continuous productions of section of sections of sections of sections of sections. Common Pennemena, remining from the necessary constituent of the secondary tenuing to sected organization, not even to the tentationaries takes, on the other hand, is a purely lately at homosome. Even if inheritance were abouted it would in growth of scale whether obtained to

DEGLINE OF THE CLASSICAL any further inquiry. But has it any real right to tion, seeing that, unlike the other two agents, it is those two and not an original factor of production? title, not in labour, but in abstinence. But if on the one hand Senior succeeds in cutables interest, he invalidates the claim of most other capital other. Let us follow his argument. (Cost of production the detects, hour and abstracts, two to possessions and abstractic and whereas fre obtains, the value of the products is reduced to this minis competition is imperient, where there is a Breater or le monopoly, then between cost of production and value lie which continues care income for those who profit by it. I by definition of labour and abilinence is independent of ever oy tenningen or agoust and assumence a more proposed of the revenue Senior cells tent, and his on personner cause. And sevenue occupy como tens, and and thus a mere extension of the Recardian. Rent is not the appropriating the better situated or the more feetile lands of The state of the appropriation of some natural agent or postession of some personal quality such as the artiste's voice of forthifous circumstances, Schior those that rent, for from being exceptional phenomenon, is really quite normal. This kind of trees which is wanting in title-drawn, but not carned-is estimately in portant, and absorbs a great share of the lotal wealth. Indeed, Sensitive For much further and state of the total neutro. Another, seems of the third that whenever, as in the case of death, apital passes from the hands of those who have earned it into the "Offices of others, it unmediately become rent. The inheritor cannot plead abdinence—the virue is not transmissible, and be has no title to his fortune except just good luck. 1 sept a counterable past of the product of every country is the recompense of an analysis who assumed has a some such a section 3 shows one out by, but merely Across a connectable part of the produce of early country is the recompense of nod out their bands to across the network between the output to the recompense of no across the network between the network of the networ derince whitever, is recrived by these who neither labour our put by, but merely body out their bands to accept the offerings of the rest of the community. "(Related to account of a new add) decrease of a neither labour of a neither labour of a neither labour of a neither labour of a neither labour." hold out their bands to accept the offenings of the rest of the community." (Federal at some as follows /stat. n. s.n.). divides it up as follows (itself, p. 189): See Sensor, Read Republic by Richard Ely (American Economic Association, Sonja.

\*\*This confines between rest and the success of substract wealth does like benown

\*\*Senior. for the two fars belongs to anticolar difference calculate. Rent is a partly The coulsmon between ten and the income of inherent with does little bosonic comment. On the two data belongs to coursely different safetimes are little bosonic absonours on the course of inherent allowers. Rent is a party

No revolutionary socialist could ever have invented a better argument for the abolition of the existing order. And how different from the 'natural order'! But Senior is quite unmoved, and the superthindifference with which economists of the Ricardian school affirm their belief in their doctarines without taking any account of the consequences which might uphold or might destroy those very beliefs has a recultive resimiler furnishing for the

Also, it was Senior who laid stress upon scarcity as the basis of seconomic value. (But a thing to possess value must be not merely rare, it must also satisfy some want). It must be a rare utility. It is the same term 'scarcive,' that was employed by Walras.

√The Classical doctrines were taught during the first half of the nineteenth century, not in England alone, but in every country of the world. In Germany they were expounded by von Thünen, of whom we have already spoken, and by his contemporary Rau¹ In France, despite the growing influence of the optimistic politico-librated econsidered in our last chapter, English Classical economics was still taught by a large number of economists, among whom Rossi deserves special mention. His Caura & Economy Englisher, published in t8to, enjoyed a fair success, due, not to any originality in the contribution litself, but to the somewhat cratorical style of the work.\*

But to proceed to the central figure of this chapter—John Stuart Mill. With him Classical economics may be said in some way to 44,4

longer be known, inheritance, together with all its privileges, might still continue to exist. Senior evidently understands by the term 'rent' any kind of income that is not obtained by personal effort. But this is clearly a perversion of the original meaning.

Rau's treatus on political economy belongs to the years 1826-97, and von Thüren's

Der Indist Staat appeared in 1856
Pelleptino Rossi, who became a naturalized Frenchman in 1833, was an Italian
by birth. He succeeded Say as professor at the Collège de France. He afterwards
became Lecture on Constitutional Law, and his name as commensated in one of
the annual prizes. He eventually entered the diplomatic strone, and was attached to
the Papal See during the pomilitate of Plus IX. He was assummated at Roope in

18,8.

John Staart Mill, born in 1805, was the son of James Mill the economist of whom we have sheady picken. The system of education which his father planned for him can wip be described as extraordinary. Particules on asymptome due it would have been according to the contract of the

was a member of the House of Commons. After the death of his wife, who collaborated with him in the production of several of his works, especially Librity (1859).

DECLINE OF THE CLASSICAL SCHOOL have attained its perfection, and with him begins its decay) middle of the nineteenth century marks the crest of the ware. W makes his personality so attractive is his almost dramatic appearan and the consciousness that he was placed between two schools, ev between two worlds. To the one he was linked by the paternal it which bound him to the Utultarian school, wherein he was nurtured the other beekoned him towards the new horizons that were already outlined by Saint-Simon and Auguste Comte. During the first half of his life he was a stern individualist; but the second found him inclined to socialism, though he still returned his faith in liberty. His writings are full of contradictions; of sudden, complete changes, such as the well-known colle-face on the wages question. Mill's book exhibits the Classical doctrines in their final crystalline form, but already they were showing signs of dissolving in the new current.

Like other theorists of the 'Pure' school, he declared that there was no room in political economy for the comparative judgment of moralist, but it was he also who wrote:

If therefore, the choice were to be made between communication with all its chances and the present state of society with all its sufferin and injustice; if the institution of private property necessaria Carried with it as a consequence that the produce of labour should be apportioned as we now see it, almost in an inverse ratio to the Labour—the largest portions to those who have never worked at all, the next largest to those whole work is almost nominal, and so in 2 one uses tasked to mose winese work is amost manning, and with descending scale, the remuneration dwindling as the work growt harder and more disagreeable, until the most fatiguing and exhausting bodily labour cannot count with certainty on being able to can one orders more based when were vertainty on using and when the freedrick of life; if this or communism were the alternathe all the difficulties, great or small, of communism, would be but as dust in the balance.1

It was Mill the utilitarian philosopher who declared that a person Strong conviction "is a social power equal to ninety-nine who have y interests ") It was he also who wrote that "competition may not the best conceivable stimulus, but it is at present a necessary one, no one can foresee the time when it will not be indipensable to Tes." But he also admits that "co-operation is the noblest ideal" that it "transforms human life from a conflict of clustes struggling pposite interests to a friendly rivalry in the pursuit of a good

owing unwilling to quit the spot where she tay bursed, he spens the last seare of his come sometime to quit the spot where the tay based, he spent the tast years to mental the categories that the particle of the categories and the particle of t mer course tomes there up to his Parliamentary work, at Arignon. His autocom-frequenciates a precious account of his life and of his gradual constraint so socialistic

Mill, it has been said, was simply a gifted popular writer. But this is to under-estimate his ability. It is true that, unlike Ricardo, Malthus, or Say, his name is not associated with any economic law, but he opened up a wider prospect for the science which will secure him reputation long after the demise of these so-called laws. 4ftis fame is doubly assured, for in no other work on political economy, not excepting even the Wealth of Nations, are there so many pages of fine writing, so many unforgettable formulæ which will always be repeated by every one who has to teach the science.) It is not for naught that the Principles has served as a text-book for so long in many of the English universities.

Before examining the changes in the Classical doctrines which Mill himself effected, we must give a brief outline of those theories as they appeared in all their inflexible majesty towards the middle of the nineteenth century, during the period between the publication of the Principles and the death of John Stuart Mill, between 1848 and 1873. This was the period when the Classical Liberal school believed that its two old rivals. Protectionism and socialism, were definitely crushed. Revbaud, in his article on socialism in the Dictionnaire d'Économie politique of 1852, wrote as follows: "To speak of socialism to-day is to deliver a funeral oration." Protection had just been vanquished in the struggle that led to the repeal of the English Corn Laws, and was to suffer a further check, alike in France and in the other countries of Europe, as a result of the treaties of 1860. The future lay with the Classics. It was little thought that 1867 would witness the publication of Kapital, that in 1872 the Congress of Eisenach would reassemble. when the treaties of 1860 would be publicly denounced.

Let us profit by its hour of glorious existence to give an exposition of the doctrines which it taught. The treatment must necessarily be very summary, seeing that we are not writing a treatise on political economy, and that our attention must be confined to writers who are definitively members of the faibern at school.

#### I: THE FUNDAMENTAL LAWS

A belief in natural laws was always an article of faith with the Glastical school. Without some such portulate it seemed to them that no collection of truths, however well attested, could ever lay claim to the title of science. But these natural laws had none of that 'providential,' 'finalistic,' and 'normative' character so frequently dwelt upon by the Physiocrash' and the Opdimists. They are simply natural

Dupont de Nemours, writing very much in the spirit of the Classical school, had

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DECLINE OF THE CLASSICAL SCHOOL laws like those of the physical order, and are clearly non-moral. ? 1 may prove useful or they may be harmful, and men must adapt the selve to them as best they can, 170 say that political economy is "dismal science" because it shows that certain laws may have unfo tunate results is as absurd as it would be to call physics a "dim science" because lightning kills.

Far from being irreconcilable with individual liberty, these laws are 2. among its direct results. They are the spontaneous links which bind together all free men. Freedom is always subject to conditions. Men are not free in the matter of eating or not eating, and if they would eat they must cultivate the soil. Freedom is limited not only by the eat sney must custivate the south a sections a minute tax only of sections of other human beings, but also by the laws of the physical

These laws are universal and permanent, for the elementary needof mankind are always and everywhere the same. Economies is quest of such permanent laws, and has no concern with the merel temporary. It is only by seeking the more general and consequently the more nearly universal laws that economics can apprehend truth or hope to become a science. (It must study man, not men—the type, not the individual—the komo aconomicus stripped of every attribute except self-interest.) It does not deny the existence of other qualities, but merely relegates them to the consideration of other sciences. It now remains to see what those natural laws were.

4) The Law of Self-interest. This law has since been named the Hedonistic principle—a term that was never employed by the Classical school. Every individual desires well-being, and so would be possessed of wealth. Similarly he would, if possible, avoid evil and escape effor This is a simple psychological law. Could anything be more universa or permanent than this law, which is simply the most natural and the most rational (using the term in its Physiocratic sense) statement of he law of self-preservation?<In virtue of this fundamental principle be Classical school is frequently known as the Individualist school.) But individualism need imply neither egoism nor regulsm. This nfusion, which is repeatedly made with a view to discrediting the Classical writers, is simply futile. No one has displayed greater vigour in protesting against this method of treating individualism than Stuart Mill. To say that a person is secking his own good is not to

already given an excellent definition of natural law. Yely natural law we are: and control of the control of control to the control confident that repulse all things in accordance with the control to the c design had down by the Author of Nature. They are the "resmall conditions" in sound asked intered by the Author of Nature. They are the 'enemial commission men man submit if they would obtain all the lendin which the natural order which men must aumin it they would observe as the officer them. 

(Introduction to Quenary's work, p. 21.)

imply that he desires the failure of others. Individualism does not exclude sympathy, and a normal individual feels it a source of gratification whenever he can give pleasure to others.

But this did not prevent Ricardo and Malthus from showing the numerous instances in which individual interests conflict, where it is necessary that one interest should be sacrificed to another. And Mill, far from denying the existence of these conflicts, has taken special pains to emphasize them. The Classical writers, together with the Optimists, reply that such contradictions are apparent only, and that beneath these appearances there is harmony; or they point out that these aminomies are due to the fact that both individualism and liberty are only imperfectly realized, and as yet not even completely understood, but that as soon as they are securely established the evil which they have momentarily created will be finally headed. I Liberty is like Achiller's lance, healing the wounds it inflicts. Other individualisits, such as Herbert Spencer, declare that the conflict of individual interest is not merely advantageous to the general interests of society, but is the very condition of progress, weeding out the incapable to make

the very condition of progress, weeding out the incapable to make room for the firstet.

(c) The Law of Free Competition. Admitting that each individual is <sup>L</sup>, the best judge of his own interests, then it is clearly the wisers plan to let every one choose his own path. (Individualism presupposes liberty, 3, and, the Individualist school is also known as the Liberal school.) This 's second title is more exact than the first, and is the only one which, the French school will accept. It emphatically repudiates every other, whether Individuality. Orthodor, or Classical's

Adam Smith, let us remember, also wrote a book on the Thery of Miral Sentiment (see Book 1, chapter II), and Stuart Mill writes as follows: "In the golden rule of Jesus of Nazareth we read the complete sport of the chica' of tulty." To do as you would be done by and to love your neighbour as yourself constitute the ideal perfection of tulturation mortality." (Michamesum, chapter in).

This is how Mall verse is, "It is only in a very imperfect taste of the worldarrangement but anyone can be treeve the happines of others by the absolute sacrifice of his own. (Dhifmanum, chapter ii) But it is searcely meessary to add, seeing that the two propositions are not conceasinly complementary, that one of the best ways of securing happines is in sacrifice one's set in the cause of others. All that as very of securing happines is to sacrifice one's set in the cause of others. All that as very to the ment of every individual as negliatedly descentation power as a certainfibili in the mind of every individual as negliatedly descentation power and happines and the good of the whole." Interpreted in this way, individualmen is clearly akin even to the most transcendent from of solidarity.

One is sometimes asked to state the differences between the Classical, the Individualist, the Liberal, and the Optimist schools. The question does not seem to us to be a very important one, but we may another it in this way.

so or a very important one, but we may answer it in this way;

(a) The Individualist school, according to the worst interpretation put upon it, thinks that egoism is the only possible system of ethics and that each for himself is

the sole principle of action. But, naturally enough, every one is anxious to avoid the taunt of selfulness, and the existence of such economic ties as exchange and division

"好什么精彩。"

DECLINE OF THE CLASSICAL SCHOOL The English school is equally decisive in its preference for 'Lib ium.' The terms 'Manchesterism' and 'Manchesterthum' have been employed, especially by German critics, in describing this feat of their teaching.

But the Classical school itself thought of lauree-faire neither as dogma nor a scientific axiom. It was treated merely as a practical nu coggnation a succining season. It was usually interest as a practical which it was wise to follow, not in every case, but wherever a better wanca at was wase to nonows, not in every east, our matter is a new had not been discovered. Those who act upon it, in Stuart Mile. opinion, are nearer the truth nineteen times out of twenty than those who deny it. This practical Liberalism is intended to apply to every who teny it. A this practical Laboration is interior to apply to conaspect of economic life, and their programme includes liberty to choose one's employment, free competition, free trade beyond as well as within the frontiers of a single country, free banks, and a competitive

of labour make egoum impossible as an ethical system. According to the broader interpretation of the term, individualism implies the recognition of individual set neespectation to the tetas, manyousand suspect the recognition of neutrons are at the sole and of every activity, whether individual or social, economic or politic and the sole and the sole are the sole and the sole are sole as the sole and the sole are sole as the sole and the sole are sole as the sol has the more and or every activity, remember maniversals or secret, economic or promote that or very far, for every socialist and individualist would are: this interpretation. We elikare speak of the welfare of society for as as each Poucsel of conscious feeling. This definition is much too wide. It include whilate remeasure to remeasure revenue a more remeasure a more per water at not note a state total accusation. State intervention and Library ketalation, provided the aim be to protect the individual against certain diagree. Self-serifice as not excluded, for what an strengthen enderstandam like eldescriber? That is the interpretation which Some portugues anapostations are management. In a me unexpression and the state of Secarci put upon n it is a commissione resource at some substitute and we must avoid it wherever we can.

(4) The so-called Libertal school uses the ferm in a much more definite fashion The individual is to be not merely the sole end of economic action, but held she by be the side agent of the economic convergent, because no one else can understand la reason we not transmit movement, because no one the can unsertinut and reason the analysis of the second se thing the individual above and removing every exernal intervention, whether by

According to the one definition, individualism is a creed which every one can property and the second Ver, ascounts to me enter it a upon to very serious objections. Apprecia and the androdal, whether as continues buying injurious coulty, or under continues to the continues of disting, or a worker working for a special rule has been and lover his challenge. lite, is a poor pulge of his own interest, and is below no defend himself even bhere scarnee and hygiene are on his side

for If we push the mitropretation a stage farther and admit not only that each ledspidual about qualified to speak for himself, but also that the coral interest is norththe sum of the extracted as speed an answer, out has that the service secretary of the extracted secretary of the extracted secretary of the secretary of the extracted secretary of the secretary of the extracted secretary of the extracte the Libertal school become the Optimizer find time of the the tradition of a province. the state of the property of t ters on total and any and an entropy may over many and self-its stay now be regarded as assessment activities of

for the may not our regarding as somewhat antiquated (c). When we write the Chancel shoot we mean thou who have trended to the distribution of the Chancel shoot we mean thou who have trended. offer has been made to support, to develop, and even to convent the skyr thesess. out on sample can been made to change their estential superar formationary of the property of the property of the property of the proof that the property of the proof that the property of the proof that the proof that the proof that the proof that the property of the proof that the proof th of district or to the university of so and, but supply confines soil to pure remove

rate of interest; and on the negative side it implies resistance to all State intervention wherever the necessity for it cannot be clearly demonstrated; as in the case of protective or parental legislation.

In the opinion of Classical writers, free competition was the sovereign natural law. It was sufficient for all things. It secured cheapness for the consumer, and stimulated progress generally because of the rivalry which it aroused among producers. Justice was assured for all, and equality attained, for the constant pursuit of profits merely resulted in reducing them to the level of cost of production. The Dictionnaire d'économie politique of 1852, which may perhaps be considered as the code of Classic political economy, expressed the opinion that competition is to the industrial world what the sun is to the physical. And Stuart Mill himself, the author of Liberty, no longer distinguishing between economic and political liberty, in less poetic but equally conclusive terms states that "every restriction of competition is an evil," but that "every extension of it is always an ultimate good." On this point he was a stern opponent of socialism, although in other respects it possessed many attractions for him. "I utterly dissent," says he, "from the most conspicuous and vehement part of their teaching, their declamations against competition." But the Classical school, despite its glorification of free competition,

never had any intention of justifying the present regime. The complaints urged against it on this score, like the similar charge of egoism, plannis urged against it on this score, like the similar charge of egoism, are based upon a misconception. On the contrary, the Classics, both new and old, complain of the imperfect character of competition. Senior had already pointed out what an enormous place monopoly still holds in the present regime. A regime of absolutely free competition is as much a dream as socialism, and it is as unjust to judge competition by the vices of the existing order as it would be to judge of collectivism by what occurred in the State arsenals.

(3) The Law of Population also held an honourable place among Classical doctrines, so honourable, indeed, that even the Optimists never dared contradict it. And of all economists Mill seems most obsessed by it.1 In his dread of its dire consequences he surpasses Malthus himself. And he reveals a far greater regard for moral considerations than was ever shown by the latter. (Mill was already a Neo-Malthusian in the respect which he felt for the rights and liberty of women, which are 100 seldom consulted when maternity is forced 1 Praceples, Book IV, chapter vs., para. 7 (Ashley's ed., p. 793). See the work of

Mohnari, or La Marale de la Concurrence, by Yves Guyot. 2"It is in vain to say that all mouths which the increase of mankind calls into existence bring with them hands. The new mouths require as much food as the old

ones and the hands do not produce as much." (Printplet, Book I, chapter xi, para. 2)

upon vicini. A numerous samuy appeared to a discussing as drunkenness. The and that the working classes can hope for no amelior that the working classes can super for so auctions they check the growth of population. On unicas mey oners inc growin in Population. Conference of peasint proprietorship is the re carreing upon the birthrate. "The rate of increase population is the slowest in Europe," he write, and thought very encouraging.

tought very encouraging.

To expresse this terrible demon he would even sacrifice As expresse this terrible defined the would even say the of liberty which everywhere else he is at 10 much paint to or mornly which everyworse case he is at we much pume to was prepared to support a law to prohibit the marriage of a proposal to which Malthus was absolutely opposed. H this measure of restraint is expounded, not in the Process this measure or restraint a capounoco, por in the rango, more of his works entitled Library. At is, of course, pass filling to the collaboration of Mrs Stuart Active may one sometimes to the consequence of one sometimes and supply—the law that determine table of products and of productive services, such as about has cante on produces one of productive services, such as sales a son, capital—is usually stated in the following terms: Price varies this capitation to during trained in one tomorphing terms: first varies with demand, inversely with supply. One of the most imporcontributions which Atl made to the science was to show that apparently mathematically precise formula was merely a vicous circ. apparency memorantiatory precise returned was mercy a vision with the first demand and supply cause a variation of price, it equally true that price cause a variation of demand and supply

estance the state price causes a variation of decision and surgery.

Mill corrects the dictum by saying that price is faced at a margin where the quantity offered is equal to the quantity demanded. All price variations move about this point, just as the beam of a believe That is reliable to the choice of the wife that grantes are to measure on the choice of the wife that grantes are too supersorm on the choice of the wife that grantes are too supersorm on the choice of the wife that grantes are too supersorm on the choice of the choice of the wife that grantes are too supersorm of the choice of the choi Actions by the choice of the vole that families are for monorous; on see the short of the binds of the short of the similar and at least a full three of the principal contents of the principal content ocvoves (atong with all the physical suffering and at least a full thare of the priva-tions), the whole of the intelephile domestic dudgery resulting from the zeroa.\* Principle, Book II, chapter xii, para. 2.

Proceding Rock II, chapter sait, para 2.)

who trained to be intemperate in drink is discountenanced and dispited by
the content to be small associated and all the content and the content an all who profess to be energy people, us one of the three from the decountenanced and despute of the benevolves that the sentiment has the sentiment benevolves that the sentiment benevolves the sentiment benevolves that the sentiment benevolves th

as who profess to be mostly people, 11 to one of the chief grounds made one of in spread, 11 the Book II sharper as has a large family and a bushle as maintain the chief grounds and a stage family and a bushle as maintain. to the benevolent that the applicant has a large family and is unable to maintain them, or flow, Rook II, chapter sain, heart, 1, or late improvement can be expected in marshing that the revolutions because the saintiment of the control of the saintiment of the sa them. "[flat, Book II chapter sii, park.]." Little important can be expected in morality, and the productor large families is regarded with the arm facing a foremant to zer say, other physical large. But while the armoracy and entire facing as a facility of the same facility of the druskeness or any other physical error. But while the atmostrary and clarge are compared, (fid., Address, ed., e., we., ) incontinuous what can be expected of the. formula to set the example of this kind of inconfinence what can be expected or the complete state of \$135, note).

He completely state the Children religion incultance that can be expected or the window and case before a numerous security incultance the belief that God in Its

vidents and Care blence a numerous tamin.

The laws which in many countries on the Continent larbel matriage unloss countries on the Continent larbel matriage unloss. the parties as about his many countries on the Continent facilities the lesstimate concerns of the lesstimate concerns of the lesstimate concerns of the less of supporting a family, do not a supporting a family, do not a the partier can show that they have the means of supporting 4 fam.

Liberto, "IZZara Annual", State. They are not objectional." liberty," (Liberty, chapter v.)

On the other manu as thought a (Bid, chapter v.)

oscillates about a point of equilibrium.1 He thus gave to the law of demand and supply a scientific precision which it formerly lacked, and by substituting the conception of equilibrium for the causal relation he introduced a new principle into economics which was destined to lead to some important modifications.

The law of demand and supply explains the variations of value, but fails to illuminate the conception of value itself. A more fundamental cause must be sought, which can be found in cost of production Under a regime of free competition the fluctuations in value tend towards this fixed point, just as "the sea tends to a level; but it never is at one exact level."?

(A temporary, unstable value dependent upon the variations of demand and supply, a permanent, natural, or normal value regulated a by cost of production, such was the Classical law of value. Mill was entirely satisfied with it, as will be seen from the following phrase, which seems rather strange, coming from such a cautious philosopher. "Happily," says he, "there is nothing in the laws of value which remains for the present or any future writer to clear up; the theory of the subject is complete."

The law which regulates the value of goods applies also to the value of money. Money also has a temporary value, determined by the quantity in circulation and the demand for it for exchange purposes -the celebrated quantity theory. But it also has a natural value, determined by the cost of production of the precious metals. (5) The Law of Wages. A similar law determined wages-the price

of hand-labour. Here again is a double law Temporary wages depend upon demand and supply-understanding by supply the quantity of capital available for the upkeep of the workers, the wages fund, and by demand the number of workers in search of employment, This law was more familiarly expressed by Cobden when he said that wages rose whenever two masters ran after the same man, and fell whenever two men ran after the same master.

<sup>3 &</sup>quot;The rue or the fall continues until the demand and supply are again equal to one another and the value which a commodity will bring in any market is no other than the value which in that market gives a demand just sufficient to carry off the existing or expected supply." (Principles, Book III, chapter 2, para 4)

Cournot in his criticisms of the law of demand and supply had anticipated Mill. But it is very probable that Mill was not acquainted with the Recherches

Principles, Book III, chapter iis, para 1. Bid., Book III, chapter 1, para 1.

<sup>&</sup>quot;Wages depend, then, on the proportion between the number of the labouring population and the capital or other funds devoted to the purchase of labour, and cannot under the rule of competition be affected by anything else." (Bid., Book II, chapter xi, Parts I and III.)

DECLINE OF THE CLASSICAL SCHOOL Natural or subsistence wages in the long run are determined by cost of production of labour-by the cost of rearing the worker. oscillations of temporary wages always tend to a position of equ him about this point. wages always tend to a position of equivalent to the position of the position ing to it wages depend entirely upon causes extraneous to the worker and bear no relation either to his need or to the character of his work or his willingness to perform it. He is at the mercy of a Latalistic Lw. and is as helpless to influence his market as a bale of cotton. And not only is the law independent of him, but no intervention, legal or Otherwise, no institution, no system, can alter this state of things without influencing one or other of the two terms of the equation, the quantity of capital employed as wages—the wage fund—or the numbers of the working population in search of work. "Every plan of amelioration which is not founded upon this principle is quite illusory." Only by encouraging the growth of capital by mean of Eving, or by discouraging the growth of population and rettraining the sexual instinct, can the terms of the equation be favourably medifirst Upon final analysis there are only two chances of takety for the

workers, and of these the first is be) ond their power, while the secor means the condemnation to cellbacy or onanium of all proletarians, a they are ironically called And thus Mill, who formulated the law with greater rigour than any

of his predecessors, found himself alarmed at its consequences. He was specially impressed by the courageous but impotent efforts of trade Unionism, then at the beginning of its career. Mill and the economists of the Liberal school were as strongly in favour of the removal of the Combination Laws as they were persutent in their demands for the repeal of the Corn Laws; but of what use was the right of sweetstion and combination when a higher law frustrated every attempt to raise wager.' Just at this time Longs, writing in 1866, and Thornton, in ha volume on Labor, began to question the valuity of the wage fund heavy They experienced to difficulty in converting John Start Mill, to fallowed with Lis famous reconstants in the pages of the Fat-145) Ha defection caused a remarkable sur, and was thought almost soffence against the sacred traditions of the Claimest kined. The thermon was not quite complete, however, for the last edition of the agest and contains the passages we have already quoted, as well

facing with a time to angularizing the wage find a saily possible for the polithe second of the second of th age. He has tree to see the grown the makers the hundred returning a new of the day. to of them stip the action "ages to cheep the personal time serving the delegation of the serving stip color time personal color time.

as others equally discouraging to the working classes, and equally fatal to the hopes which they had reasonably placed in their own efforts.<sup>1</sup>

to the hopes which they had reasonably placed in their own efforts.

The wage fund theory, though badly shaken as a result of Mill's
defection, was not abandoned by all the Classical writers, and some

American publications later attempted a revival of it. \*

\*\*On The Law of Rent.\*\* The law of competition tends to reduce the selling price until it is equal to the cost of production. But suppose, as is often the case, that there are two costs of production, which of the two will determine the price? The higher will be the determinant, and so there exists a margin for all similar products whose cost of production is less. Recardos showed that this was the case with agricultural products as well as with certain manufactured goods. \*Amili included personal ability, and though the conception of rent was thus very considerably extended, it had not the scope which it had with Senior.

Who Law of Intractional Exchange. According to the Liberal conomusts Ricardo and Dunoyer (see p 352), mernatuonal trade is subject to the laws regulating individual exchange, and the results in the two cases are almost identical, namely, a source of labour to both parties. One party exchanges a product which has cost fifteen hours labour for another which, had an attempt been made to produce it directly, would have involved a labour of twenty hours. The gain is

<sup>1</sup> Stuart Mill admitted that trade unions might modify the relations between demand and upply, forgetting for the moment that this meant is contradiction of the Classical theory.
The unions might limit the number of available men. He feared that this would result in high water for the small number of crossneed labourers and in low waters.

for the others. They might check the birth-rate, their members becoming accustomed to such a degree of comfort and well-being as would raise their standard of life. He was always a strict Malthenian.

\*See the quarteries of Harvard and Columbia It was an American, however,

\* See the quarterlies of Harvard and Columbia. It was an American, however, Francia Walker, in his Wager Question (1876), who did more than anyone to destroy the old wage fund theory.
\* "The cost value of a thing means the cost value of the most costly portion of it."

(Principles, Book II, chapter vi, para 1, prop 7)

"The extra gains which any producer or dealer obtains through superior talents

for business or superior business arrangements are very much of a similar kind. If all his competition had the same deviantages, and used them, the benefit would be transferred to their customers through the duministed value of the article, he only retains at for himself because he is able to bring his commodity to market at a bower cost while its value is determined by a higher." (Hist, Block III, Chapter v, para, a)

Senior had already emphasized one unportant difference lessues agracultural and industrial production, namely, that while the lass of diminishing returns operates in the former case, the law of increasing returns as operative an the second. In other words, the case of prediction diminishes as the quantity produced increases. The roots, the case of predictions diminishes as the quantity produced increases a considerable of the production of the production of the production. The production of the production of the production of the production of production.

DECLINE OF THE CLASSICAL SCHOOL credited to the importing side, for exportation is merely the metal whereby it is obtained. Its measure is the excess of the imported with the importance with the over the value exported. over the value capanica.

It is clear that each party gain by the transaction. It is not. char, nor is it allogether probable, that the advantages are equ ciest, nor is a ausgeiner procasse, that the ausymosgie are equilibried. But it is generally believed that if any inequality d

entity but to the poorer country—to the one that des gilled by nature or less fitted for industrial life. The latter country. by very definition would experience great difficulty in attempting the by very demnition value experience great different production of the imported goods, and would even perhaps turest production or the imported goods, and wound even, personal, and it quite impossible. On this point the English Classical or the Magnetiester school is in complete agreement with the French school! Adjustment school is in complete agreement who the elementation.

At might possibly be pointed out that under a regime of free competith might possibly be pointed our that under a regime to the course of cost of prediction. and produces nould be exchanged in such a fathou that a give and products nouse or extensives in such a samon make a sefor an equal quantity enhanced in any other. But in such a case of a such a case of a such a case of a cas nor an equal quantity embodies in any other. But in such a con-where would be the advantage of exchanging? Ricardo had already nuce would be the sevantage of extranging. Keestoo and success
anticipated this objection, and had shown that if the rule of equal duantity in exchange for equal quantity were true of exchange touting in cacuainge or equal quantity were true or excusage between individuals, it did not hold of exchange between disfront countries, for the equalizing action of cateange network was a section of competition no longer operated, because of the difficulty of moving capital and labour. one to the other. A comparison should be made, not of the representations Costs of the same product in the two countries, but of the repect

costs of the imported and the exported products in the same countries. costs of the imported and the exported products in the same count.

Another butters to strengthen the theory which measures the advan-Antoner outsites to strengthen the theory which measures the answer ingest of international commerce by the amount of labour economized? Ricardo, moreover, since an exposition of the advantages of international trade advanced. \*\*If fooder a section of professive for the con-

"Meanto, moreover, fire an expension of the advantage of international transfer data Estillat might have adopted, "Violete a mystem of perfectional transfer described transfer described described as a second and the second data and have a second of perfectly free conin temp that Ranial might have adopted. "Under a system of perfectly fee com-merce each country naturally developed in capital and labour to such anomalies are most beneficial to each. That counter of including adoptine to accommon as a transfer of including adoptine to administration of including adoptine to a discountry of including a deposition of including adoptine to a discountry of including a deposition merce each country naturally devotes in capital and labour to such employments as a most kineful to each. This propose of melocidation to such employments as mercal with the universal recal of the whole. Re-attendable and destinates a such employments as a strongly control of melocore. The strongly control of melocores is relatively each. are more beneficial to each Just pursus of individual advantage as almostly inference with the universal Stood of the whole product advantage as admissibly advantage to admissibly to distributes labour most effectively and most product. By attendance individually, by research and the product of the produc ingranity, and by using most efficacionly the product powers between by an execution and effectively and may effectively and may effectively and may effectively between the secretal mass of needbergooms of definements, which is prevent to the product of the secretal mass of needbergooms of definements, which is not to be the prevent of the prevent o It distributes labour man effectively and most recommission which we seem a find of productions if different seems recommission while by seems and interest and interests and interests to the seems and interests to the seems and seems of the seems and seems of actions therefore, and the seems of actions actions the seems of actions actions and actions action the general mass of productions at definer general benefit and black together, by:
Sommon the of interest and interestore, the main that seeings of mixed together, by:
So civilized world: It is this name which which the seeings of mixed together, by:

A ship name which the seeing of mixed together they are the seeings of mixed together they are the seeing that the seeing ship to each;

Summon for of interest and interests, the universal sectory of raision through frace and Forugal, that corn shall be recovered to the control of the corn shall be recovered to the corn of Followship and forugal, that corn shall be recovered to the corn of the corn of Followship and the corn recivilized world. It is this principle which determines that were shall be made, hardware and formeral, that come that he grown in America and foliard, and that he models shall be monotonessed on greatest or finely former and other standard former and the models and the models for the mode France and Portugal, that come this be grown in America and Folund, and the p. 2.5)

p. 2.5)

and other goods shall be manufactured in England. "(Ricardo, Dad.) 7-75)
The following apparent paradox may be deduced from Ricardo's divory, A man to immoving any onto these reconsidering which if on only produce at country is the following Apparent persons may be deduced from Reardo's theory. A disastrantee at context of with the commodates which it persons with the commodates which it put only produced with the context of which it has only produced to the context of which it has the context of which it is not a support of which it is

country a was in importing not only those commodities which it can only province as dissolvantage as compared with its first, but also those fixed in which it can only province as a distance in the matter of months inc. Monoth not as error as the delitative a dissolvable as compared with its rivals, but also those good in which it has a rejoyed in some other case. Under those contents to great as the advantage of the content Outside surantage in the matter of production, though not so great as the advantage in the matter case. Under shore circumstances is to be the advantage of the following the case of the

But the value of the exchanged product is still undetermined. It lies somewhere between the real cost of production of the goods exported and the virtual cost of production of the goods imported, in such a way that each country gains something.) That is all we are able to say. Mill has gone a step farther. He has abandoned the comparison of costs of production, which is purely abstract, and can afford no practical measure of the advantages, preferring to measure the value of the imported product by the value of the product which must be given in exchange for it.1 We require to find the causes that enable a country like England to obtain a greater or a lesser quantity of wine in exchange for her coal. In other words, the law of international values no longer involves a comparison of costs of production, but is simply the law of demand and supply. The prices of the two goods arrange themselves in such a fashion that the quantities demanded by the respective countries exactly balance. If there is a greater demand for coal in France than there is for wine in England. England will obtain a great quantity of wine in exchange for her coal. and will consequently find herself in a very advantageous position.

Mill's theory constitutes a real advance as compared with Ricardo's, for it affords a means of gauging the strength of the foreign demand, and of judging of the circumstances favourable to a good bargain. Mill was of the opinion that a poor country stood to benefit most by the transaction-thus confirming Bastiat's belief. A rich country will always have to pay more for its goods than a poor one.3

produce that product in the making of which it has the greater advantage and exchange it for some other product in which it has less "Two men can both make shoes and hats, and one is superior to the other in both

employments; but in making hats, he can only exceed his competitor by one-fifth, or 20 per cent., and in making shoes he can excel him by one-third, or 33 per cent Will it not be for the interest of both that the superior man should employ himself exclusively in making shoes, and the inferior man in making hats?" (Ricardo, Political Economy, chapter vis, para. 47, note ) And so England might find it advantageous to exchange her coal for French cloths,

although she may be able to produce those cloths cheaper herself. In Book VI we shall see how this theory was developed and transformed I "The value of a thing in any place depends on the cost of its acquisition in that

place; which in the case of an imported article means the cost of production of the thing which is exported to pay for it." (Prossples, Book III, chapter syni, para. 1)

Mill first treated of the theory in his Unsettled Questions of Political Economy. A more complicated but more precise exposition is given in the Principles, Book III,

chapter xviii, para 7. The whole process of reasoning, based as it is upon the hypothetical conduct of two persons, is purely abstract, and is of very little practical use What is really important is to know the relation between the advantages gained by either side. It is true that on the whole imports and exports balance one another, thanks to the operation of money, but that is another question. (We shall examine at in Book VI.1

a "It still appears, that the countries which earry on their foreign trade on the most

Country that is duped. The English trade with Portugal is one c their favourite illustrations. But it is simply an illustration, and it can never take the place of actual proof. Notwithstanding these divergent views, Mill is more sympathetic to the Protectionists than any other economist of the Liberal school. His theory provides them with at least one excellent argument. Seeing that the advantages of international commerce depend upon demand and supply, a country may make it operate to its own advantage by merely pursuing a different policy. New industries might be developed whenever there is a considerable demand for new products, and that demand might easily be so considerable that the price weaks

Desides this, Mill makes an important concession to the Protect. when he shows that import duties are not always paid by the con in the form of higher prices, but may in certain cases be paid by foreigner, notably when the imported product, such as rate and h priced wines, enjoys a monopoly price.

finally, though Mill remained Lithful to Free Trade, he revemble Lut (whom he did not know) in accepting Protection for Infa. and traces to the me and among its marphing concerns industries, imposed "in hopes of naturalizing a foreign industry, I itself perfectly suitable to the circumstances of the country." But h make one reservation, that "the protection should be confined to case in which there is good ground of assurance that the industry which it fasters will after a time be able to dapense with it." That, he says. is "the only case in which, on mere principles of political economy, protecting duties can be defenable. In truth, however, this "only

case" opens the dror very wide to a very large measure of Protection 1 The Free Trade destrine has not remained where it was any more than the other special doctrines of the Claucal school. It gase birth to one of the most forestful movements in economic history, which

Afrancieros ser os ser trans aban removalmen ser mas so demand till trep Country, and which the thousand the first the man to commit to re-Amounts, het amen have trenderen the least deriving and a ready some and a string store con adjusting at \$ 5000 that the earliest confirm when seasons that the best by a given sensor of right cover our five fabric tenders when a sensor of right cover our, since a given to the cover our cover, since have a great our cover. Secured Law on south 2 & Even amount of kings for some of the security of the morraed in a house constraint tony are thirty where a greater domain become a finance Res 1 113 a death of write of distortible printed on the round distortible printed on the round distortible. Amounts that the state of the state of the state has put the even disalterna-Compare to a fit factor and page 8. Not the Plane is given around a factor and allowed the size of stockhold or by and antenna for the first state of the s After The first have on the who transaction. Mill strong responsibilities. The first had the page country are like the abstract have and the law. above, the first and the production are his the above above one or and a south and had gained above one or an arms and had gained and a south and had gained above the above.

led to the famous law of June 25, 1846, abolishing import duty on corn. This law was followed by others, and ended in the complete removal of all tariff barriers. But the eloquence of Cobden, of Bright, and of others was necessary before it was accomplished. A national Anti-Corn League had to be organized, no less than ten Parliamentary defeats had to be endured, the allegiance of Peel and the approval of the Duke of Welfington had to be secured before they were removed. All this even might have proved futile but for the poor harvest of 1855. This glorious campaign did more for the triumph of the Liberat economic school and for the dissemination of its ideas than all the learned demonstrations of the masters. Fourteen years were still to lapse before Cobden and Michel Chevalier were able to sign the treaty of 1850. Even this was due to a personal act of Napoleon III, and Cobden was not far wrong when he declared that nine-tenths of the French nation was opposed to it.

### II: MILL'S INDIVIDUALIST-SOCIALIST PROGRAMME

Such were the doctrines taught by the Classical school about the middle of the nineteenth century. The writers in question, however, strongly objected to the term 'school,' believing that they themselves were the sole guardians of the sacred truth. And we must admit that their doctrines are admirably interwoven, and present an attractive appearance. On the other hand, it must be confessed that the prospects which they hold out for anyone not a member of the landowning class are far from attractive.) For the labourer there is promise of daily toil and bare existence, and at best a wage determined by the quantity of capital or the numbers of the population-causes which are clearly beyond the workers' influence, and even beyond the assuaging influence of association and combination. And although the latter rights are generously claimed for the workers, the occasional antagonism between masters and men presages the eternal conflict between profits and wages. The possession of land is a passport to the enjoyment of monopolistic privileges, which the right of free exchange can only modify very slightly. Rent—the resultant of all life's favourable chances reserved for those who need it least, monopolizes a growing proportion of the national revenue. Intervention for the benefit of the worker, whether undertaken by the State or by some other body, is pushed aside as unworthy of the dignity of labour and harmful to its true interests. (Each for himself' is set up as a principle of social action, in the vain hope that it would be spontaneously transformed into the principle of 'Each for all.' The search for truth was the dominant

that men were prepared to fight before they would recognize these as presocu, but as the dicta of exact science. Little wonder demonstrable truths. And just as it was Mill who so powerfully helped to consolidate and complete the science of economics that Costs refer to his Principles as the best resume, the fullest, most complete and most of the doctrines of the Clausest school that we have it was Mill also who, in successive editions of his book, and in his other and later writings, Pointed out the new vistas opening before the and later writings, paraset out the new value opening before as science, freed the doctrine from many errors to which it was attack and set its feet on the paths of Liberal Socialism. We might say without any suggestion of bus that Mill's evolution was largely influenced by French ideas. A singularly interests volume night be written in illustration of the statement. Without telearing to the influence of Comte, which Mill was never fired of recognizing, and confining our attention only to economic, he has himself acknowledged his debt to the Saint-Simonians for the greater part of his doctrines of heredity and unearned increment, to Samondi for his sympathy with peasant proprietorship, and to the socialists of 1848 for his faith in co-operative association as a substitute for the wage nexus

It would hardly be true to say that Mill became a convert to socialism, although he showed himself anxious to defend it against every undeserved attack. To those who credit socialism with a desire to destroy personal initiative or to undermine individual liberty he didainfully points out that 3/2 factory operative has less personal interest in his work than a member of a communist association, since he is not, like him, working for a partnership of which he is himself a member," and that "the restraints of communium would be freedon in comparison with the present condition of the majority of the human race." And although he expresses the belief that "communism would even now be practicable among the elite of mankind, and may become so among the ren," and hopes that one day education, habit, and Culture will so alter the character of mankind that digging and wearing for one's country will be considered as patriotic as to fight for it, still he was far from being a socialist. Free competition, he thought was an absolute necessity, and there could be no interference with the

I Million to Detroy Geography, p. 330.

I Mill was for Destroy Geography, p. 330.

Mill was for Destroy Geography and Control of the Process of the Developing of 18,8 has been translated into French and the Control of 18,8 has been translated into French riften by him factors of the Revolution of 1848 has been translated into French

<sup>4</sup> Representative Covernment, chapter iii.

The first blow which he dealt at the Classical school was to challenge in belief in the universality and permanence of natural law) tile never took up the extreme position of the Marsian and Bib Itie schools, which held that the so-called natural laws were merely attempts at describing the social relations which may exist at certain periods in economic history, but which change their character as time goes on. (He draws a distinction between the laws which obtain in the realm of production and those that regulate distribution). Only in the one case can we speak of 'natural' laws, in the other they are artificial—created by men—and capable of being changed, should men detire it. (Contrary to the opinion of the Classical school, he tries to show that wages, profits, and erent are not determined by immutable

laws against which the will of man can never prevail. The door was thus open for social reform, which was no small triumph. Of course it cannot be said of the Classical school, or even of the Optimists, that they were prepared to deny the possibility or the efficacy of every measure of social reform, but it must be admitted that they were loath to encourage anything beyond private effort, or to advocate the abolition of any but the older laws. Braun, speaking at a conference of Liberal economists at Mayence in 1869, expressed the opinion that "that conference had given rise to much opposition because it upheld the principle that human legislation can never change the eternal laws of nature, which alone regulate every economic action." Similar declarations abound in the French works of the period. But, thanks to the distinction drawn by Mill, all this was changed. Though the legislator be helpless to modify the laws of production, he is all-powerful in the realm of distribution, which is the real battle-ground of economics.

But, as a matter of fact, Mill's distinction is topen to criticism, especially his method of stating it; and we feel that he is unjust too himself when he regards this as his most important and most origination to economic science. Production and distribution cannot be treated we separate spheres, for the one invariably involves the other.) And Mill himself is forced to abandon his own thesis when he advocates the establishment of co-operative associations or peasant proprietornhip, for each for these belongs as much to the domain of production as to that of distribution. Rodbertus, at almost the same

<sup>1 &</sup>quot;The laws and condutions of the production of wealth particle of the character of physical trout. There is nothing opiocal or arbitrary in them... It is not so with the distribution of wealthing mostive of human institution nodely. The high good there, manifold, including most of human institution nodely. The high good there, manifold, including most of the distribution of which there is they like. (Principle), Book III, chapter is, pars. 1). Karl Mario. Birth laws the thin this, chained that distribution in which determined by modelloss.

these may mutually involve one another, still we know that the ecome antinction which exits between economic and legal ties. I Eve nomic law which regulate exchange value or determine the magnitude of industrial enterprise are not of the same kind as the rule of law which regulate the transfer of property or lay down the lines of has written regulate the trainier of property or key noven the mass of procedure for persons bound by agreement concerning wage, inprocedure not persons continue by agreement contening masses, as detent, or rent. The first may well be designated natural laws, but the latter are the work of a legislative authority Stuart Mill, not content with merely opening the door to reform,

deliberately enters in, and, in striking contrast to the economist tentocraticy enters in, and, in stricting contrast to the economists the older school, outlines a comprehensive programme of social policy. which he formulates thus: "How to unite the greatest individua iliberty of action, with a common ownership in the raw material of the HOCKLY OF ACTION, WITH A COMMON OWNERSHIP IN THE FAW ILLUSTRANCE OF ME. S. C. A. C. We may summarize his proposals as follows:

(c) Abolition of the wage system and the substitution of a cooperative association of producers.

(3) The socialization of rent by means of a tax on land. 13 Lessening of the inequalities of wealth by restrictions on 1 rights of inheritance.

This threshold measure of reform possesses all the desiderate his down by Mill. Moreover, it does not conflict with the individualists Principle, but would somewhat strengthen it. It involves no personal

constraint, but tends to extend the bounds of individual freedom. (i) Mill thought that the wages regime was detrimental to indi-

viduality because it deprived man of all interest in the product of his labour, with the result that a vast majority of mankind is living under conditions which socialism could not possibly make much worse. It is necessary to replace this condition of things by

a form of association which, if mankind continue to improve, must be expected in the end to predominate, and is not that which can exits between a capitalist as chief and workpeople without a voice in the management, but the association of the labourers themselve on terms of equality, collectively owning the capital with which they Carry on their operations, and working under managers elected and removable by themselves.

See Chatelain's introduction to Rodbertus's Kapital. See Consecuent a introduction to reocertus a respectively, p. 133 ("Popular" edition).

see assumption, p. 133 ("Popular" edition).

"the improvement which even triumphant military desposits has not retained, but the contract of hind. not alopped, shall continue in course there can be little doubt that the status of bird

This noble ideal of a co-operative community was borrowed, not from Owen, but from the Trench socialists. Mill had already culogized the Trench movement, even before its brilliant but ephemeral triumph in 1848. He was not the only one to be attracted by the idea of a co-operative community, for the English Christian Socialists drew their impiration from the same source.

Mill lived long enough to witness the decline of co-operative production in England, and of the Co-operative Consumers' Union in France, but neither failure seems to have had any influence upon his projects.\(^1\)
Whatever the method might be, the object in his ideal was always the same, the self-emancipation of the workers

(2) The rent of land, which Ricardo and his disciples accepted as a natural if not as a necessary phenomenon, appeared to Mill as an abnormal fact which was as detrimental to individuality as the wage system itself. Its peculiar danger was, of course, not quite the same What rent did was to secure to certain individuals something which was not the result of their own efforts, whereas individualism always aimed at securing for every one the fruits of his own labour-suum cuique. On the principle of giving to each what each produced, everything not directly produced by man himself was to be restored to the community. It is immaterial whether this extra product is due to the collaboration of nature, as Smith and the Physiocrats believed, or whether it is the result of the pressure of population, as Ricardo and Malthus thought, or the mere result of chance and favourable circumstance, as Senior put it. Nothing could be easier than to levy a land tax which would gradually absorb rent, and which could be periodically increased as rents advanced. The idea was a brilliant one, and . Mill had learned it from his father. It soon became the rallying-cry of a new school of economists closely akin to the socialists.

laboures will gradually tend to confine itself to the description of welt-people whose low moral qualities reder them unif for amphing more independent, and that the relation of masters and wort-people will be gradually superceded by partnership in one of two forms, in some case, suocitation of the labourers with the capitality in others, and perhaps finally in all, association of blabourers among themselves "(Frongist, Book IV, Capter Vis, pars. 4)

"Its this or store such mode, the enduring secondiations of capital might honestly and by a kind of spontaneous process become in the end the joint property of all who participate in their productive employment—a transformation which, thus effected, would be the mearest approach to social justice and the most beneficial ordering of industrial affairs for the universal good which it is possible at present to derese."

The co-operative movement probably suggested this idea to him. He several times expresses the opinion that middlemen's profits exceed those of the capitalists, and that the working class would gain more by the removal of the former than they would by the extinction of the latter.

operative ideal, this also was of French extraction) Admiration of the French peasant had been a fashionable cult in Efigland ever since the days of Arthur Young. I Mill thought that among the principal advantages of peasant proprietorship would be a lessening of the injustice of rent, because its benefits would be more widely distributed. The feeling of independence would check the deterioration of the wave-carner, individual initiative would be encouraged, the intelligence of the cultivator developed, and the growth of population checked.

Mill inspired a regard for the frugal French peasantry in the English Radical party. To his influence are due the various Small Holdings Acts which have resulted in the establishment of small islets of peasant tillers amid the vast territories of the English aristocracy.

(3) Mill was equally shocked at our antiquated inheritance law, which permits people to possess wealth which they have never helped to produce. To Senior inheritance ranked with the inequality of rent, and he placed both in the stane category. To Mill it appeared to be out merely antagonistic to individual liberty, but a source of danger to free competition, because it placed competitions in positions of unequal advantage. In this matter Mill was under the influence of the Saint-Simonians, and he made no attempt to hide his contempt for the 'accident of birth.'

But Young remained a champson of greate culture, while Mill was a complete convert to peasant propretorship. But peasant propretorship is proposed simply as a term towards association.

"The opening represent in a ferror part of this results respecting small landproperty of the property of the results of the rards anticipate that a wise difficult of property in land as the resource on which Lerly for exempting at least the approximatal landscare from exclusive dependance on labour for the "Sub-housers," is not my openion. I undered deem that form of approximate decommy to be unit groundrised pread down, and to be pready perfectable in the agreement for the min of happeness to have falsons in any form in which it exist at present. In which the improvements about the not neglect to place bums become place in a court as in which the improvements about the not neglect to place bums become in a court as in which the another is relations not movelving dependence." (Promptin, Bock IV, chapter to,

MII was not the only one who levled to peasent proprietable parties to also the social problem. Not so mention Summed, who was very much later by which me was problem. Not not mention to the peasent parties (1933 and 1) good from the forest parties of the peasent parties who was the problems (1934 and 1) good from the care of the mention that who the peasent plane of Cabrillon 1, 2 gracely advantage in The Cabrillon and commons for the most part took the opposite point of two, oppositely theoryteen to the Team or Edmann sends for Especies.

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This right of bequest, he felt, was a very difficult problem, for the right of free disposal of one's property even after death constitution one of the most glorious attributes of individuality. It implied a kind of survival or persistence of the human will. Mill showed considerable ingenuity in extracting himself from this difficult position. Mr would respect the right of the proprietor to dispose of his goods, but would insit the right of inheritance by making it illegal to inherit more than a certain sum. The testator would still enjoy the right of bequeathing his property as he wished, but no one who already possessed a certain amount of wealth could inherit it. Of all the solutions of this problem that have been proposed, Mill's is the most socialistic. He puts it forward, however, not as a definite project, but as a more suggestion.

Mill might well have been given a place among the Pesimists, especially as he inherits their tendency to see the darker side of things. Not only did the law of population fill him with terror, but the law of diminishing returns seemed to him the most important proposition in the whole of economic science; and all his works abound with melancholy reflections upon the futility of progress. There is, for instance, the frequently quoted "It is questionable if all the mechanical inventions yet made have lightened the day's toil of any human bring," In his vision of the future of society he prophesies that the river of human life will exentually be lost in the sea of attentation.

It is worth white dwelling for a moment on this idea of a stationary state. Though the conception is an old one, it is very characteristic of Mill's work, and he feels himself forced to the belief that only by reverting to the stationary state can we hope for a solution of the social question.

Economists, especially Ricardo, had insisted upon the tendency of profits to a minimum as a correlative of the law of diminishing returns. This tendency, it was believed, would continue until profits had wholly disappeared and the formation of new capital was arrested. Mill took

<sup>1. &</sup>quot;Were I framing a code of laws according to what seems to me best in itself, without regard to excusing options and estimients, I should prefer to restrict, not what anyone should be permitted to acquire by bequest or inferrance. Each person should have power to dispose by will of his or her whole property. Un to to lavush it in enriching some one individual beyond a certain maximum, "Principles, Book II, chapter is, gars 4 )

It is hardly necessary to say that this limitation of the right of inheritance is a purely personal opinion of Mill, and that it is rejected along with his other solutions by most landvalusts. It is not quite correct to say then, as Schart has said in his homodulum, that Shart Mill is "the very incamation of the individualistic splint." He was really a somewhat sceptical diciple of the school, and his frequent change of the was really a somewhat sceptical diciple of the school, and his frequent change of the was really a chosen hat sceptical diciple of the school, and his frequent change of the was really a chosen hat sceptical diciple of the school, and his frequent change of the was really a chosen has been described in the school and his frequent change of the was really a chosen has been described in the school and his frequent change of the was really a chosen has been described in the school and his frequent change of the school and the school and the school and the school and his frequent change of the school and the school and the school and the school and his first countries the school and the

opinion was very embarrassing

Praceples, Book II, chapter vi, pars. 2.

"There is at every time and place some particular rate of profit, which is the lowest that will induce the people of that country and time to accumulate savings...

of this prospect, Mill acquiesced in its ethical import. On the whole he thinks that such a state would be a very considerable improvement on our present condition. With economic activity brought to a standstill the current of human life would simply change its course and turn to other fields. The decay of Mammon-worship and the thirst for wealth would simply mean an opportunity for pursuing worthir objects. He hoped that the arrest of economic progress would result in a real moral advance, and in the appeasement of human desire he looked for a solution and for the final disappearance of the social problem. And as far as we can see the reformers of to-day have nothing better to offer us.

## TIII: MILL'S SUCCESSORS

Mill's influence was universal, though, properly speaking, he had no disciples. This was, no doubt, partly because writers like Toynbee, who would naturally have become disciples, were already enrolled in the service of the Historical school.

The Classical school failed to follow his socialistic lead. It still

But though the minimum rate of profit is but likely to vary, and though to profit catching has it is would as a way to more an ampointly, such a minimum along rathing is whether the profit catching is whether the profit catching is whether the profit catching the whether the profit catching the whether the profit catching is the profit catching the profit catching

Mill indicates the causes that contribute to a fall in the rate of profits as well as the causes that arrest that fall such as the progress of production and the destruction

of wealth by was and cross. It may be worth side pointing out that the word profit as employed by the Englah teconomist, and especially by Mill, has not the same meaning as it has wish the Brook writers. French economists since the time of Say have employed the temp profit is denote the earnings of the entrymous, the capsulat's succome being designated interest. The Englah economists do not datagraph between the work of the superiors and that of the capsulation, and the term profit covers them both. The result is that the first below the coronisms of the superior with the control of the capsulation would full out zero, while the Englah economist economist can be because profits unclude interest, which will always transit as at the result of suming.

The French point of new is more generally adopted toolay.

In a letter to Gustave d'Eichthal, recently published, speaking of Auguste Conte, be writer as follows: "How reductions to think that this law of triol association in correlative constant progress! Why not admit that as humanity advances in certain response is dependent in others!"

preached the old doctrines, but with warning authority, and no new work was produced which is at all comparable with the works which we have already studied. We will mention a few of the later writings, however, for, though belonging to the second class, they are in some respects excellent.

In the first place we have several books written by Cairnes, I notably

Some Leading Principles of Political Economy (1874). Gairnes is generally regarded as a disciple of Mill, though as a matter of fact he was nothing of the kind. Cairnes was purely Classic, and shared the Classical preference for the deductive method, which he thought the only method for political economy. His preference for that method sometimes resulted in his abusing it, and he was curiously indifferent to all social iniquities. He accepted laissez-faire, not as the basis of a scientific doctrine, but simply as a safe and practical rule of conduct. The old wage fund theory has in him a champion who attempted to defend it against Stuart Mill. It cannot be said that he made any new contribution to the science, unless we except his teaching concerning competition. He pointed out that competition has not the general scope that is usually attributed to it. It only obtains between individuals placed in exactly similar circumstances. In other words, it operates within small areas, and is inoperative as between one area and another. This theory of non-competing groups helps to throw some light upon the persistent inequality shown by wages and profits

In France the most prominent representative of political economy during the Second Empire was Michel Chevalier, a disciple of Saint-Simon. He nevertheless remained faithful to the Classical tradition of Say and Rossi, his predecessors at the Collège de France. He waged battle with the socialities of 148,8 made war upon Protection, and had the good fortune to be victorious in both cases, sharing with Cobden the honour of being a signatory to the famous commercial treaty of 1860. He realized the important place that railways would some day occupy in national economy, and the great possibilities of an engineering fast like the Sucz Canal. He was also alive to the importance of execut institutions, which were only at the commencement of the wirdl carrer just then.\* Although connected with the Liberal school useful carrer just then.\* Although connected with the Liberal school

On the question of co-operation as a method of social reform, Cairnes, who simply refers to it as a possible alternative, may have owed something to Mill.

Essays, p. 291.

Since 1830 there have only been four professors—J B Say, Rossi, Michel Chevalier, and Chevalier's son-in-law, M. Paul Leroy-Resulteu. The history of the chair is a fair summary of the hintery of Freich economics.

His most cursous book, perhaps, was De le Baise probable & Fer, a title that caused a good deal of amorement during the latter half of the nineteenth century, but which proved somewhat of a prophece after all.

iournal.

he was not indifferent to the teaching of the Saint-Simonians on th importance of the authority and functions of the State, and he im

pressed upon the Government the necessity of paying attention to labour questions—a matter to which Napoleon III was naturally somewhat averse. Every subject which he handles is given scholarly and eloquent treatment. About the same time Courcelle-Seneuil published a treatise on

political economy which was for a long time regarded as a standard work. Seneuil was a champion of pure science—or "plutology," as he called it, in order to distinguish it from applied science, to which he gave the name "regnoomy." For a long time he was regarded as a kind of pontiff, and the pages of the Journal de Economistre bear evidence of the chastisement which he bestowed upon any of the younger writers who tried to shake off his authority. This was the time when Maurice Block was meding out the same treatment to the new German school in these bitterly critical articles which appeared in the same

It is to be regretted that we cannot credit France with the Phici de A Science économique et de ses Principales Applications, which appeared in 1852. Cherbuliez, the author, was a Swins, and was professor first as Geneva and then at Zurich. Cossa, in his Histoine, speaks of it as fundoubtedly the best treatise on the subject published in France," and as being "possibly superior even to Stuart Mills." Cherbuliez belonged to the Classical school. He was opposed to socialism, and wrote pamphlets & la Bastiat in support of Liberal doctrines and the deductive method. But, like the Mills before him, and Walras, Spencer, Laveleye, Henry George, and many others who came aftr, he found it hard to reconcile private property with the individualistic doctrine, "To each the product of his absour." He reconciler himself to this position merely because he thinks that it is possibly a lesser cell than collective property.

The Liberal school had still a few adherents in Germany, although a serious rival was soon to make it appearance. Prince Smith [of English extraction] undertook the defence of Free Trade, pointing of "the absurdity of regarding it as a social question," and "how much more absurd it is to think that it can ever be solved other than by the logic of facts." Less a doctrinaire than a reformer, Schulze-Deliusch, about 1850, inaugurated that movement which, notwithstanding the gibts of Lassalle, has made magnificent progres, and to-day includer thousands of credit societies; though up to the present it has not berefited anyone beyond the lower middle classes—the small shopkreper, the well-to-do artisan, and the peasant proprietor.

# Book IV: The Dissenters

With Bastiat economic Liberalism, threatened by socialism, sought precarious refuge in Optimism. With Mill the older doctrines found new expression in language scientific in its precision and classical in its beauty.

It really seemed as if political economy had reached its final stage and that there could be no further excuse for prolonging our survey.

But just when Liberalism seemed most triumphant and the principles of the science appeared definitely settled there sprang up a feeling of general dissistation. Criticism, which had suffered a temporary check after 1049, now reasserted its claims, and with a determination not to tolerate any further interrution of its task.

The reaction showed itself most prominently in Germany, where the new Historical school refused to recognize the boundaries of the scherce as laid down by the English and French economists. The amosphere of abstractions and generalizations to which they had confined it was altogether too stiffing. It demanded new contact with life—with the life of the past no less than that of the present. It was always of the empty framework of general terms. It was always for facts and the exercise of the powers of observation. With all the ardour of youth it was prepared to challenge all the traditional conclusions and to reformulate the science from its very base.

So much for the doctrine. But there was one thing which was thought more objectionable than even the Classical doctrine itself, and that was the Liberal policy with which the science had foolishly become implicated, and which must certainly be removed.

In addition to such critics as the above there are also the writers who drew their inspiration from Christianity, and in the name of charity, or morality, or of religion itself, uttered their protest against optimism and lesses-fame. Intervention again, so tentatively proposed by Samondi, makes a bold demand for wider scope in view of the pressure of social problems, and under the name of State Socialism becomes a definitely formulated doctrine.

Socialism, which Reybaud believed dead after 1848, revived in its turn. Marx's Kapital, published in 1857, is the completest and most powerful exposition of socialism that we have. It is no longer a pious aspiration, but a new and a scientific doctrine ready to do battle with regarding laws which were those only of that society which he had created in his study for purposes of analysis as applicable to the complex society really existing around him. And the confusion was aggravated by some of his followers and intensified in ignorant popular versions of his doctrines." In other words, there was a striking divergence between economic theory and concrete economic reality, a divergence that was becoming wider every day, as new problem arose and new classes were being formed. But the extent of the ESP was best realized when an attempt was made to apply the principle of the science to countries where the economic conditions were entirely different from those existing either in England or in France.

This divergence between theory and reality might conceivably be narrowed in one of two ways. A more harmonious and a more compethensive theory might be formulated, a task which Menger, Jeres, and Walras attempted about 1870. A still more radical suggestion was to get rid of all abstract theory altogether and to confine the science to a simple description of economic phenomena. This was the method of procedure that was attempted first, and it is the ore

Long before this time certain writers had pointed out the dangers of a too rigid adherence to abstraction. (Sirmondi-an essential) followed by the Historical school. historical writer—treated political economy as a branch of mera science whose separation from the main trunk is only partial, an insisted upon studying economic phenomena in connection with the proper environment. He criticized the general conclusions of Riese and pleaded for a closer observation of facts. Lit showed himself still more violent critic, and, not content with the condennation Rieardian economics, he ventured to extend his strictures even Smith. Taking sationality for the basis of his system, he applied comparative method, upon which the Historical school has so of insisted, to the commercial policy of the Classical school; but bit was still employed merely for the purpose of illustration. Find socialists, especially the Saint-Summara, whose entire system is air

It is current that the Haterians sever refer to Surrently as one of the provi have a warmer than the harmonian sever refer to district it as one of any power to the control of the control o minimum energy sometry and H. information array mention him at all, and said substantial between a southern of Dis National Assessment some kinema has disastronial and the said of Dis National Assessment some kinema has disastronial and the said of Dis National Assessment some kinema has disastronial and the said of The last del and owners extreme as their hands. Habele and thinks that

even han and not even per criticals at their hands. Halvet and more and described with the azonac even of fulum family and meyer above, the second conserves of the second covers of fulum family and meyer above, and accompany mercen with the state of Adam Smith and sweet shound have the analysis of the ethics hashers of directly like press to flamb that the state of states? I feet greate to flamb that make an article of the ethics of summand to the extract advice of sectory — List series by their that the sumsummand to the extract advice of sectory — List series by the their than the sector 
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one vast philosophy of history, had shown the impossibility of isolating economic from political and juridical phenomena, with which they are always intermineled.

But no author as yet had deliberately sought either in history or in the observation of contemporary facts a means of reconstructing the science as a whole. It is just here that the originality of the German school lies.

Its work is at once critical and constructive. On the critical side we have a profound and suggestive, though not always a just, analysus of the principles and methods of the older economists, while its constructive efforts gave new scope to the science, extended the range of its observations, and added to the complexity of its problems.

Generally speaking, it is not a difficult task to give an exposition of the critical ideas of the school, as we find them set forth in several books and articles, but it is by no means easy to delineate the conceptions underlying the positive work. Though implicit in all their writings, these conceptions are nowhere explicitly stated; whenever they have tried to define them it has always been, as their disciples willimgly admit, in a vague and contradictory fashion. You add further to the difficulty, each author defines them after his own fashion, but claims that his definition represents the ideas of the whole school.

In order to avoid useless repetitions and discussions without number we shall begin with a rapid survey of the outward development of the school, following with a rapim of its critical work, attempting, finally, to seize hold of its conception of the nature and object of political economy. From our point of view the last-named object is by far the most interesting.

#### I: THE ORIGIN AND DEVELOPMENT OF THE HISTORICAL SCHOOL

The honour of founding the school undoubtedly belongs to Wilhelm Rencher, a Goltingen professor, who published a book entitled Grandrius to Verlanungen wher die Stantsurstehaft soch geschnichter Methode in 1843. In preface to that small volume he mentions some of the leading lidea which impired him to undertake the work, which reached fruition in the celebrated System der Velkusvirtschift (1st ed., 1854). He makes no pretence to anything beyond a study of economic history.

<sup>3</sup> See, among others, Max Weber's articles in Schmoller's Jobbuch for 1903, p. 1181, and 1905, p. 1923. The methodological errors of Roscher, Knies, and Hildebrand get their due meed of criticism.

"Our aim," says he,

is simply to describe what people have wished for and felt in many economic, to describe the aims they have followed and the success they achieved—as well as to give the reasons why such aims were chosen and such triumphs won. Such research can only be access plished if we keep in close touch with the other sciences of native life, with legal and political history, as well as with the history of civalization.

Almost in the same breath he justifies an attack upon the Ricards school. He recognizes that he is far from thinking that his is the color even the quickest way of attaining the truth, but thinks that it w lead into pleasant and fruitful quests, which once undertaken wi never be abandoned.

What Roscher proposed to do was to try to complete the curren theory by adding a study of contemporary facts and opinions, and, a a matter of fact, in the series of volumes which constitute the St he every instalment of which was received with growing appreciation by the German world of letters, Roscher was merely content to punctuit his exposition of the Classical doctrines with many an erudite excursion in the domain of economic facts and ideas.

Roscher referred to his experiment as an attempt to apply the historical method which Savigny had been instrumental in inforducing with such fruitful results into the study of furbpendence But, as Karl Menger has well pointed out, the similarity is only superficual Savigny employed history in the hope of obtaining some in hi aren the organic nature and the spontaneous origin of existing histilletions. His arowed object was to prove their legitimacy despite the radical pretenance of the Rationalist reformers of the eighteenth century Reacher had no such aim in view. He was himself a Liberal and falls shared in their reforming real. History with him wrent merely to disstrate theory, to supply rules for the guidance of the #2'esman or to fater the growth of what he called the political wife

Schmeller Cinks that Romber's work might putly be required at an attempt to contest the teaching of political economy with the Cameralus tradition of provincenthe and eighteenth century (v) many ! These Concerning were engaged in teaching the principal

<sup>\*</sup> Creat is, gentline.

b have a of the same opinion for semante that Rimber's week mould moved manufaction of presidentalist correct grees a consecution of degree of animals animals. Created perfect person Amendment or printers fragmen p 15 . L'entrangue sur de Strante de Sermanne p 1.

minimum topics (1915) \* bluester to at 2 a factor bisaster contrate the function of

Contention for Administration by M. Content Manger and Bilances and when I

of administration and finance to students who were to spend their lives in administrative work of one kind or another, and they naturally took good care to keep as near actual facts as possible. Even in England and France political economy soon got involved in certain practical problems concerning taxation and commercial legislation. But in a country like Germany, which was industrially much more backward than cither England or France, these problems wore a very different aspect, and some correction of the Classical doctrines was absolutely necessary if they were to bear any relation to the realities of economic life. Roscher's innovation was the outcome of a pedagogic rather than of a purely scientific demand, and he was instrumental in reviving a university tradition rather than in creating a new scientific movement. In 1838 nonther German professor, Bruno Hildebrand, put forward

In 1848 another German professor, Bruno Hildebrand, put forward a much more ambitious programme, and his Dr. Nationalkinomus der Grgenwert und Zukunst shows a much more fundamental opposition to the Classical school. History, he thought, would not merely vitation and perfect the science, but might even help to recreate it altogether. Hildebrand points to the success of the method when applied to the science of language. Henceforth economics was to become the science of national development.<sup>1</sup>

In the prospectus of the Jabrbaine fix Nationalistonomic and Statistics, founded by him in 1869, Hidderband goes a step fratther. He challenges the teaching of the Classical economists, especially on the question of national economic laws, and he even blames Rocher because the adtention of the control of the control of the control of the ventured to recognize their existence. He did not seem to realize that a denial of that suid nivolved the undoing of all recommes, section and the complete overthrow of those "laws of development" which he believed were hencefurth to be the basts of the science.

Rearber with Herren, Gervinus, and the other historians of Götungen who during the first quarter of the inneteenth century tried to found a science of politics upon a general study of history. Rocher had studied history under them, and his aim is in every respect similar to theirs

In the introduction, p. v, he declares that the object of his work is "to open a way for an essentially historical standpoint in political economy and to transform the science of political economy into a body of doctrines dealing with the economic development of pagions."

<sup>\*\*</sup>Print Survive Mod ventured to say that they particle of a mathematical nature. This is how he represents hat were as greaten these fillaberand on the real sum of polistical remotings in the \*\*Jubilities\* for Astemalizations and Statistical, Vol. 1, p. 142. \*\*Teconotic kerner need not attempts to find the unthraspetals, leftwist laws amount the multiplicity of extonentic phenomeras. In task is to show how businasty has promised regress that the transformation of reconnect life, and how that reconnect life removed deeper and the transformation of reconnect life, and how that reconnect evolution of hattens as well send that the state of the profit reconnect relations of which of the preference control relations as well as of the profit reconnect relations as well as of the profit reconnection of the profit reconnections are that the preference reconnection of the profit reconnection of relations as well as of the profit reconnection of the profit reconnection of the profit reconnection of relations as well as of the profit reconnection of th

But Hildebrand's absolutism had no more influence than Roscher's eelecticism, unless we make an exception of his generalization revereming the three phases of economic development, which he differentiate as follows: the period of natural economy, that of money economy, and intally that of erredit. Beyond that he merely contented himself with publishing a number of fragmentary studies on special questions of statistics or history, without, for the most part, making any attempt to modify the Classical theory of production and distribution.

The critical study of 1848 hinted at a sequel which was to embody the principles of the new method. But the sequel never appeared, and the difficult task of carrying the subject farther was entrusted to Nat Knies, another professor, who in 1833 published a bulky treative bearing the title of Political Economy from the Hinterical Part of Fiver But there is as much divergence between his views and those of his predecessors as there is between Roschee's and Hiddebrand's. He not only questions the existence of natural laws, but even doubt whether there are any laws of development at all—a point Hiddebrand never that any doubt about—and thinks that all we can say is that there are certain analogues presented by the development of different countries. Runes cannot share in the belief of either Hiddebrand or Roscher, nor does be hold with the Classical school. He thinks that political economy is simply a history of ideas concerning the economic development of all for the provised of its provise.

Knier's week pained almost unnoticed, ignored by historians and econormus alike, until the younger Hutorical is hool called attention to his back, of which a new edition appeared in (BB). Knies mikel betweet cumplaints of Roscher's neglect to consider his ideas

Such berrae professions naturally lead us to expect that Knies would spare not effect to show the superiority of the new includ. But he subsequent mocks dealing with money and credit, upon which his real reputation rest, hear warrely a trace of the Hainton il grant.

The three founders of the social deviated a great deal of time to a crucken of the Chamo at method, but fulled to agree as to the annual mope of the social and left to others the task of applying that transition

The task was attempted by the some Hatcalial school, which sprang up around behind the nowards the end of 1870. This new which progresses two Canada technical endings.

it The uncers matteresses concerning economic term which

<sup>&</sup>lt;sup>2</sup> The states this of the first edition was fire Particular Indianamia was Impolynated 60 graduouslass. A section to across appropriated as including the theory of distincted on the property of the property of the control of the property of the extended follows.

Hildebrand and Knies had raised is abandoned. The members of the school are careful not to deny the existence of natural social laws or uniformities, and they considered that the search for these was the chief object of the science. In reality they are economic determinists. "We know now" save Schmoller.1 "that physical causation is something other than mechanical, but it bears the same stamp of necessity." What they do deny is that these laws are discoverable by Classical methods, and on this point they agree with every criticism made by their predecessors.

As to the possibility of formulating 'the laws of development' upon which Huldebrand laid such stress, they professed themselves very sceptical. "We have no knowledge of the laws of history, although we sometimes speak of economic and statistical laws,"2 writes Schmoller. "We cannot." he regretfully says later, "even say whether the economic life of humanity possesses any element of unity or shows any traces of uniform development, or whether it is making for progress at all,"2 This very characteristic passage from Schmoller was written in 1904, and forms the conclusion of the great synthetic treatise. All attempts at a philosophy of history are treated with the same disdain 6

(2) The newer Historical school, not content merely with advocating the use of the Historical method, hastened to put theory into practice. Since about 1860 German economists have shown a disposition to turn away from economic theory and to devote their entire energy to practical problems, sociological studies, and historical or · realistic research. The number of economic monographs has increased enormously. The institutions of the Middle Ages and of antiquity.

<sup>&</sup>lt;sup>1</sup> Schmoller, Grundrus der Volkssertschaftslehre, Vol. I, p. 107 (1904). \* Ibid., Vol. II, p. 653. 1 Ibid . Vol. I. n. 108.

All historians, however, are not equally sceptical. Ashley in his preface to English Economic History and Theory writes as follows: "Just as the history of society, in spite of spparent retrogressions, reveals an orderly development, so there has been an orderly development in the history of what men have thought, and therefore in what they have thought concerning the economic side of life." And Ingram, in his Hutory of Political Economy, points out that "As we have more than once indicated, an essential part of the idea of life is that of development—in other words, of ordered change, And that such a development takes place in the constitution and working of society in all its elements is a fact which cannot, be doubted. . . That there exist between the several social elements such relations as make the change of one element involve or determine the change of another is equally plain; and why the name of natural Is we should be denied to such constant relations of co-existence and succession it is not easy to see. These laws being universal admit of the construction of an abstract

theory of economic development." (F. 205 )

Schmoller thinks that the science in the present stage of development, while it . cannot be prevented from attempting a philosophy of history, is much better employed in building up simple scientific hypotheses with a view to gauging the future course of development than in getting hold of 'absolute truths,'

THE HISTORICAL SCHOOL the economic doctrines of the ancients, statistics, the econo tion of the present day, these are some of the topics discuss

economy is lost in the maze of realistic studies, whether of day or of the past.

Although the Historical school has done an enormous work we must not forget that historical monographs we before their time, and that certain socialistic treatises, such Applial, are really attempts at historical synthesis. The spec of the school consists in the impulse it gave to systematic stud description. The result has been a renewed interest in history the development of economic institutions. We cannot atter account of all these works and their varied contents. We must satisfied if we can catch the spirit of the movement. The nat Schmoller, Brentano, Held, Bucher, and Sombart are known to student of economic history. Marshall, the greatest of modern theo

has on more than one occasion paid them a glowing tribute. The movement soon left Germany, and it was speedily realized t conditions abroad were equally favourable for its work.

By the end of 1870 practical Liberalism had spent its force. B new problems were coming to the front, especially the labour question which demanded immediate attention. Classical economists had as solution to offer, and the new study of economic institutions, of secial organization, and of the life of the masses seemed to be the only hope ful method of gaining light upon the question. Comparison with the pass was expected to lead to a better understanding of the present. The Historical method seemed to social reformers to be the one instrument of progress, and a strong desire for some practical result fostered belief in it. When we remember the prestige which German

Acience has enjoyed since 1871, and the success of the Germans in conbining historical research with the advocacy of State Socialism, we can understand the enthusism with which the method was greeted abroad. Even in England, the stronghold of Ricardian economics, the influence of the school becomes quite plain after 1870.

Here, as elsewhere, a controversy as to the method employed manifests itself. Cairnes in his work, The Character and Logical Method of

Assessed, Prospers, Appendix A.

This influence has been noted by Toynbee in his article on Roards and Sr. Old Philliad

assessed by the state of th at unumere has been noted by Toynbre in his article on Rumbs and Mr User ruman.

"It was the labour question, unsolved by that removal of retrictions which are and data. the sale for a soon question, unsolved by that removal or retrieves a sale deductive political economy had so offer that review the norther of observations. as a nonconver pouncal economy had to offer, that revived the method of observa-tion political economy was transferred by the working clause. \* Electure the standard of the political economy was transferred by the working clause. \* Electure the action of the political economy and the political economy are the political economy. The Hateroal method so often demed concervative brance. Earso better the new standard method so often demed concervative, because it trees the product of standard method so often demed concervative, because it trees the product of standard method of standard methods. and starty growth of our energible institutions but if may carrie a precision in according to the control of th and statest proven or our renerable institutions; but it may exercise a person, of the grown injuries which was blandly perpensated the grown injuries which was blandly perpensated

4

Publish Essens (1873), writing quite in the spirit of the old Classical authors, strongly advocates the employment of the deductive method in 1879 Cliffe Ledler, in hu Euras or Pointal and Maral Philasophy, enters the lists against Cairnes and makes use of the new weapons drive herne his arguments. The use of induction rather than deduction, the constant necessity for keeping economics in hising touch with other social sciences, the relative character of consume laws, and the employment of history as a means of interpreting economic place, and the employment agreement aphorted and developed by Ledler. Toy indee, in his Letters or the Industrial Revolutor, gave utterrance to inmitar view, but showed much greater moderation. What ercognizing the claims of deduction, he thought that history and observation would give new the and lend a practical interest to consonnees. The remoteness and surrelity of the Ricardian school constituted its greatest weakness, and social reform would in his injuncing greatly benefit by the introduction of new methods. Toynibee would undoubtedly have exercised tremendous influence; but his life, full of the highest hopes, was suit when at hirty.

The lead had been given; the study of economic institutions and clause was henceforth to occupy a permanent position in English economic writings, and the remarkable works which have since been published, such as Cunningham's Greath of English Industry and Commerce, Ashley's Economic History, the Webbs' Trade Unsoum and Industrial Directory, Booth's Life and Labour of the Pople, bear winters

to the profound influence exerted by the new ideas-

In France the success of the movement has not been quite so pronounced, although the need for it was as keenly felt there. Although it did not result in the founding of a French school of economic historians, the new current of ideas has influenced French economic thought in a bousand ways. In 1639 political economy became a recognized subject in the various curriculs of the Facultist de Droit. The infinance commention between economic study and the study of law has given an entirely new significance to political economy, and the science has been entirely transformed by the infusion of the historical spirit. At the same time professional historians have become more and more interested in problems of economic institutions. Several Liberal economists also, without breaking with the Classical tradition, have devoted their energies to the close observation of contemporary facts or to historical research.

The first edition appeared in 1857.

We would specially mention Levameur's excellent work Histoire des Classes ournires in France (first edition, 1867).

we have a new group of workers in the sociologic is interested in the origin and growth of social institution and in the influence which they have exerted upon one an studying institutions of a religious, legal, political, or social is only natural that they should ask that the study of econo tions should be carried on in the same spirit and with the same method. This object has been enthusiastically pursue time. The mechanism and the organization of the economic different periods have been closely examined by the aid of ob and history. Abstraction has been laid aside and a presence a minute observation, and for induction rather than deduction.

# II: THE CRITICAL IDEAS OF THE HISTORICAL SCI

Among so many writers whose works cover such a long peri time we can hardly expect to find absolute unanimity, and we already had occasion to note some of the more important diverge between them, especially those separating the newer from the o writers of the Historical school. We cannot here enter into a discussion of all these various shades of opinion, and we must be extent to mention the more important features upon which they a almost entirely at one, noticing some of the principal individus doctrines by the way,

The German Historical school made its debut with a criticism of Classical economics, and we cannot better begin than with a study of its critical ideas, s

Although these ideas had already found expression in the writings

of Knies, Hildebrand, and Roscher, there was nothing like the

1 More especially we must mention the group of workers associated with M. Durkein and the feeds seculogies. But it would be a great mutale to conface the to method, the Halvirda and the Sociological. See Simund, Mished kineyed to come a great mutate to come a company of the Sociological see Simund, Mished kineyed as the Sociological see Simund Simun ore section, the stationest and the Sociological. See Similard, Althous surrows. Solves since, in the force of Specific Sutreport, 1903. See also La Michael Solves discourance (Sec. 1907). Software dominating (Patrix, 1912), which contains a study of the methodological problem. presented by political economy.

There is one spect of the critical work of the German school with which we have not dealt in this book-namely, the entition of distriction. Some of the members of the state of one weak in this pool—namely, the emission of kinecylass. Some or the monocolour of a Hillschand — have insured on the taking criterion, but none of them share into the colour of the c of the control of the form of the control of the control of the control of the form of the control of the contr or none of more omin or hants. The emphasis lad upon reservity more more delice impossible. But all the more emsent writers have remained failfulful to the following and the statement which is the statement of over unpossion. But all the more consent writers have remained fattors to be founded,. See Hildebrand's confession of high relation of the possion of the po of Vol. 1 of the Abbidist for Mahambalaman, 1865, Vol. 1, p. 3, And although now converted to or you, we true pursuate for Antoniocalement, 1862. Vol. 1, p. 3. And authority we determ 4, 8 theration and Schmidter—seem to be connected with the new terrent of the t deas that gave the to State Socialists, the association was quite actional. The province of the socialists of the association was quite actional. The some trust gave rue to Mate Socialism, the association was quite accidental part of their tracking, and they made no very original ontribution to the part of the mody. Their connection with exonomic must about

dicusion which was provoked by them when the newer Historical thool, at a much later period, again brought them to public notice. The publication of Karl Menger's work Unterachangen sher de Methode do Josialrizenshaften, in 1893—a classic both in style and matter—unhered in a new rao of active polemics. This remarkable work, in which the author undertakes the defence of pure political economy against the attacks of the German Historical school, was received with some amount of ill-feeling by the members of that school, and it caused a general starching of heart during the next few year. We must try to bring out the essential elements in the discusson, and contrast the arguments advanced by the Historians with the replues offered by their critics.

Broadly speaking, three charges are levelled at the Classical writers.

(i) It is pointed out that their belief in the universality of their doctrines is not easily justified. (ii) Their psychology is said to be too crude, based as it is simply upon egoism. (iii) Their use, or rather abuse, of the deductive method is said to be wholly unjustifiable. We will review these charges senatum.

The Hitorians held that the greatest isin committed by Smith and his followers was the inordinate stress which they laid upon the unversality of their dectrines. Hildebrand applies the term 'universality to this feature of their teaching, while Knies refers to it as 'absolutism' or 'perpetualism'. The belief of the Anglo-French school, according to their version of it, was that the economic laws which they had formulated were operative everywhere and at all tumes, and that the system of political economy founded upon them was universal in its application. The Historians, on the other hand, maintained that these laws, so far from being categorically unperative, should be regarded always as being subject to change in both theory and opractice.

First with regard to practice. A uniform code of economic legislation cannot be indifferently applied to all countries at all epochs of their history. An attempt must be made to adapt it to the varied conditions of time and place. The statestman's art consists in adapting principles to meet new demands and in inventing solutions for new problems. But, as Menger points out, this obvious principle, which was by no means a new one, would have met with the approval of Smith and Say, and even of Ricardo himself: although they

<sup>&</sup>lt;sup>1</sup> Gf. Schmoller's account of Menger's work published in the Jahrbuch in 1884. The account of the spears also in the volume entitled Zw Litterstrageschichte der Steats und Sepalasissenschiefe (1883).

<sup>&</sup>lt;sup>2</sup> Cf. Menger, he of, pp 130 st sep. Marshall's tronical remark is very apposite here. "German economists have done good service by insisting on that class of consideration, but they seem to be mataken in supposing that it was overlooked by the older English economists." (Pranyles, Book I, chapter vi, auto.)

occasionally forgot it, perhaps, especially

of the past or when advocating the univer The second idea, namely, that economic have only a relative value, is treated with this was another point on which the older ec Economic lang, unlike the laws of physics as the Classical writers were never tired of comp the universality nor the inevitability of the special stress on this point.

The conditions of economic life determine the of economic theory or economic theory from the previous of any the roule arrived at are products of historical arguments are based upon the facts of concerns arguments are outer upon the later of concrete
the Faults bear all the marks of historical solution the result bear at the marks of autorical solution boas of economics are simply historical explanation. tion of economics are unpsy nationess expansion manifestation of truth. Each tep is a terrelation of truth and the truth are truth to the truth and the truth are truth to the truth and the truth are truth to the truth tru manufacturing of truth. Each step is a retorance of a state of the state of development and a state of development of state of the state of the

as n.a. known at that particular range or developing and no collection of such formula can exercise the control of the control This paragraph, though somewhat obscure and diff case with Knier, expresser a sound idea which oth stated somewhat differently, by saying that econo . Mascu sumersuat uncertus, to saying mas come provisional and conditional. They are provisional that the progress of history continually give rise to new for cating theories do not take sufficient account. Hence the

finds time of obliged to modify the formula with which he ha been quite content. They are conditional in the sense that c Any are only true so long as other circumstances do not him action. The slightest change in the Conditions as ordinardly might cancel the usual result. Those economists who thought o theory as a kind of final revelation, or considered that their predictions or considered that the con But Knie is hopelessly wrong in thinking that this relativity Sugh to separate the laws of economics from the laws of elenees, Professor Marshall touchy remarks that chemical and physic here, 4 touchor assuman jumy remarks that enemical and payments that enemic omnole inacquate. All these laws are provisional. They are Prothetical in the sense that they are true only in the absence of 25. der av. Pp. 24-25. Addet gives an unmuntable company of the control of the Management and the control of th

any disturbing cause. Scientists no longer consider these laws as inherent in matter. They are the product of man't shought and they advance with the development of his intelligence. I they are nothing more or less than formulæ which conveniently express the relation of dependence that exists between different phenomena; and between these various laws as they are framed by the human mind there is no difference except a greater or lesser degree of proof which supports them.

What gives to the laws of physics or chemistry that larger amount of fixity and that greater degree of certainty which renders them allogether superior to economic law as a present formulated is a greater uniformity in the conditions that give rise to them, and the fact that their action is often measurable in accordance with mathematical principles.

Not only has Knies exaggerated the importance of his doctrine of relativity, but the imputation that his predecessors had failed to realize the need for it was hardly descreed. We shall have to refer to this matter again. Mill's Principles was already published, and even in the Logic, which appeared for the first time in 1843, and several editions of which had been issued before 1833, the year when Knies writes, we meet with the following sentence:

The motive that suggests the separation of this portion of the locial phenomenon from the rest . .; is that they do mainly depend at least in the first resort on one class of circumstances only; and that even when other circumstances interfere, the ascertainment of the effect due to the one class of circumstances alone is a sufficiently intricate and difficult business to make it expedient to perform it once for all and then allow for the effect of the modifying circumstances.

Consequently sociology, of which political economy is simply a branch, is a science of tendencies and not of positive conclusions. No better expression of the principle of relativity could ever be given.

Notwithstanding all this, modern economists have come to the conclusion that the criticisms of the Historical school are sufficiently well founded to justify them in demanding greater precision so as to avoid

See Karl Pearson, The Grammar of Science.

Marshall, Procedure, we do some your services of Marshall, Procedure, when do so so timply any criticism of the Watternatical method does not imply any criticism of the Mathematical method in political economy. To establish mathematical method in political economy. To establish mathematical method in political economy.

conclusions from general mathematical theories are two different things.

\*Knies employs the differences there set up in order to deny that economic laws have even the character of national laws. The new Historical school does not go quite so far, as we shall see creasently.

Chapter iv, "Of the Logic of the Moral Sciences."

those mistakes in the future. Dr Marshall, for one, captession, and defines an economic law as "a statemen

Even the founders of pure political economy, although t is obviously very different from that of the Historian, similar precautions. They expressly declare that the cor the science are based upon a certain number of preliminary. deliberately chosen, and that the said conclusions are visionally true. "Pure economics," says Walras, "has to b notion of exchange, of demand and supply, of capital and from actual life, and out of those conceptions at has to build t or abstract type upon which the economist exercises his repowers, "s Pure economics studies the effects of competition under the imperfect conditions of an actual market, but as it operate in a hypothetical market where each individual, knowin Own interests, would be able to pursue them quite feely, and is publicity. The conception of a limited area within which competing is fully operative enables us to study as through a magnifying economic life of to-day.

the results of a hypothesis that really very seldom operates in a We may dispute the advantages of such a method, but we cannot say that the economist ever wished to deny the relativity of a conclusion arrived at in this fashion. While willing to admit that the Historians have managed to put this characteritie in a clear light just when some economists were in

danger of forgetting it, and that it is a universally accepted doctrine lo-day, we cannot accept Knies's contention that it affords a sufficient basis for the distinction between natural and economic laws. And such is the opinion of a large number, if not of the majority, of economius? The second charge is levelled against the narrowness and insufficient ciency of the psychology. Adam Smith treated man as a being solely dominated by considerations of self-interest and completely absorbed in the pursuit of gain. But, as the Historians justly point out, persons interest is far from being the sole motive, even in the economic world. The motives here, as elsewhere, are extremely varied: vanity, the desire for glory, pleasure afforded by the work itself, the sense of duty, pity, benevolence, love of kin, or simply custom. To say that man is always and irremediably actuated by purely selfah motives, any

Ā

Knies, is to deny the existence of any better motive or to regard man Southers would not admit complete animal stormers from pour pro-team would not admit complete animal stormers as Wagner. (Grandings)

as a being having a number of centres of psychical activity, each operating independently of the other.

We cannot deny that the Classical writers believed that 'personal interest -not in the sense of egoism, which is the name given it by Knies, and which somewhat distorts their view-held the key to the significance and origin of economic life. But the claims of the Historians are again immoderate. Being themselves chiefly concerned with concrete reality in all its complexity of being, and with all its distinctive and special features rather than its general import, they forgot that the primary aim of political economy is to study economic phenomena en masse. The Classical economists studied the crowd, not the individual. If we neglect the differences that occasionally arise in special cases, and allow for the personal equation, do we not find that the most constant motive to action is just this personal desire for well-being and profit? This is the oninion of Wagner, who on this question of method is not quite in agreement with other members of the school. In his suggestive study of the different motives that influence economic conduct he definitely states that the only motive that is really constant and permanent in its action is this self-interest. "This consideration," he says, "does something to explain and to justify the conduct of those writers who took this as the starting-nount of their study of economics."2

But having admitted this, we must also recognize, not that they denied the changes occasionally undergone by self-interest under the pressure of other motives, as Knies suggests, but that they have neglected to take sufficient account of such modifications. Sometimes it really seems as if they would "transform political economy into a mere natural history of egoism," as Hildebrand says

We can only repeat the remark which we have already made, namely, that when this criticism was offered it was scarcely justified. Stuart Mill had drawn attention to this point in his Logic ten years previously.3 "An English political economist, like his countrymen in general, has seldom learned that it is possible that men in conducting the business of selling their goods over the counter should care more about their ease or their vanity than about their pecuniary gain." For his own part he ventures to say that "there is perhaps no action of a man's life in which he is neither under the immediate nor under the remote influence of any impulse but the mere desire of wealth."4 It is evident that Mill did not think that self-interest was the one

1 Knies, op. at., p. 23.

A. Wagner, Grandlegung, para. 67; French translation, Vol. I, p. 249. Val. II, p. 502.

<sup>4</sup> Loric, Vol. II, p. 407.

<sup>20</sup> 

THE HISTORICAL SCHOOL unchangeable and universal human motive. Much less 'egoiun, as we have seen in the previous chapter, his 'egoim' include considerable admixture of altruism.

But here again the strictures of the Historians, though somen exaggerated, have forced economists of other schools to be mo precise in their statements. The economists of to-day, as Marsha remarks, are concerned "with man as he is; not with an abstract or 'economic' man, but a man of firsh and blood." And if the economin, as Marshall points out, pays special attention to the desire for gain among the other motives which influence human beings, this is not because he is anxious to reduce the science to a mere 'natural history of egoism, but because in this world of ours money is the one convenient means of measuring human motive on a large scale. Even the Hedonists, whose economics rest upon a calculus of pleasure a \*\* pain, are careful to note that their hypothesis is just a useful simplife. tion of concrete reality, and that such simplification is absolute necessary in order to carry the analysis of economic phenomena as 6. as possible. It is an abstraction—imposed by necessity, which is in sole justification, but an abstraction nevertheless.

It is just here that the final reproach comes in, namely, the charge of abusing the employment of abstraction and deduction, and greater stress is laid upon this count than upon either of the other two. Instead of deduction the new school would substitute induction based upon observation.

Their criticism of the deductive method is closely connected with heir attack upon the psychology of the older school. The Classical onemiats thought, so the Historians tell us, that all economic Live uld be deduced by a simple process of reasoning from one fundantal principle If we consider the multiplicity of motives actually rative in the economic world, the manthempt of this doctrine omes immediately apparent. The result is not a faithful picture, a caricature of reality Only by patient observation and careful ction can we hope to build up an economic theory that shall take tercum of the complexity of economic phenomena. "There is a future before political economy," writes Schmoller in 1283, in r to a letter of Merger,

tols to the use that will be made of the natorical matter, kinds empire and statuted, that is slowly accomplained it will get by Little dutilistics of the abstract properties as of the deliminating in more comments of the abstract properties as of the delimination of the abstract properties as of the delimination of the abstract properties as of the delimination of the abstract properties as a second of the abstra matern if at have already been doubled a funded time.

d. Bas I. chapter v. pars 7

<sup>·</sup> Zur Litterson produkte, p. 179

The younger school especially has insisted on this; and Menger has ventured to say that in the opinion of the newer Historical school

the art of abstract thinking, even when distinguished by profundity and originality of the highest order, and when based upon a foundation of wide experience—in a word, the exercise of that gift which has in other sciences resulted in wanning the highest honour for the hinkera—seems to be of quite secondary importance, if not absolutely worthless, as compared with some elaborate compilation or other.\(^1\)

But the criticism of the Historical school confuses two things, namely, the particular use which the Classical writers have made of the abstract deductive method, and the method itself.

No one will deny that the Classical writers often started with musuffer primise. Even when the premises were correct, they were too ready to think and not careful enough to prove that their conclusions were always borne out by the facts. No one can defend their incomplete analyses, their hasty generalizations, or their ambiguous formule. I

But this is very different from denying the legitimacy of abstraction and deduction. To isolate a whole class of motives with a view to a separate examination of their effects is not to deap either the presence or the action of other motives, any more than a study of the effect of gravitation upon a solid involves the denial of the action of other force upon it. In a science like political economy, where experiment is practically impossible, abstraction and analysis afford the only means of escape from those other influences which complicate the problems so much. Even if the motives chosen were of secondary importance, the procedure would be quite legitimate, although the result would not be of any great moment. But it is of the greatest service and value when the motive chosen is one, like the search for gain or the desire for personal satisfaction, which exercises a pre-ponderant influence upon economic action.<sup>9</sup>

Unternuhungen über die Methode, p. 48.

<sup>\*</sup>The English economius, even the most emment, are often mistaken, says Wagner (Constillenger, chapter iv, pars. 4), but their errors are not to be imputed to their method at much as to the use they make of if. And Menger, who are energically undertook the defence of deduction, further undertakes to renew the Classical theories. Economic thoory, says he, as constituted by the English Classical school, has not succeeded in

giving to a suithenery science of economic how Menger, for rit, p. (s).

(f) Menger, for (s), p. (g): "The sullect of going or line in one you deepy the elastence of six or friction, any more than the student of going or line in one you deepy the elastence of all to blocks, of surfaces, and lines, or the student of pure Chemistry dense the influence of physical forces or the physicals the presence of chemical factors in the student physicals, although each of these science only condicts one six de first in the world, making an abstraction of every other aspect of it. Nor done the conomical presented that men a cently moved by eggions or that they are suffillible and committee the student of the present of the conomic of the student of the student

THE HISTORICAL SCHOOL So natural, we may even say so indispensable, is abstraction, i are to help the mind steer its way amid the complexity of econo phenomena, that the criticism of the Historical school has de nothing to hinder the remarkable development which has traule from the use of the abstract method during the last thirty year But, although the Neo-Classical school has succeeded in replacing th old methods in their position of honour once more, it no longer employs those methods in the way the older writers did. A more solid foundation has been given them in a more exact analysis of the needs which personal interest ought to satisfy. And the mechanism of deduction itself has been perfected by a more rigid use of the ordinary logical forms, and by the adoption of mathematical phraselogy.

Happily the controversy as to the merits of the rival methods, which was first raised by the Historical school, has no very great interest w the present moment. Most eminent economists consider that both a equally necessary. There seems to be a general agreement amor writers of different schools to consider the question of method ( secondary importance, and to forget the futile controvenies from which the science has gained so little. Before concluding this section it may be worth while to quote the opinion of men who represent very different tendencies, but are entirely agreed with regard to this one subject. "Dactusion of method," says Pareto, "is a pure waste of time. The aim of the science is to discover economic uniformities, and it is always right to follow any path or to pursue any method that is likely to lead to that end, "" For this and other reasons," pro-

there always has been, and there probably always will be, a ne for the existence side by side of workers with different aptitudes an different aims. All the devices for the discovery of the relation between cause and effect which are described in treaties on scientific method have to be used in their turn by the economist.

These writers generally employ the abstract method. Let us now hear some of the Historians. Schmoller is the author of that of

because they coverage accust life from the point of view of the free play of individual interest uninfluenced by other considerations, by also or ignorance. Wapter and Marshall take the same view

The property of the same view to be seen as the same view to be seen as the same view to be seen as the same view to be same v it has been supercised that the Assirtan school should be known as the hypothesis when the assirtant school should be known as the hypothesis when the assirtant school should be known as the hypothesis to the same as the s n on seep supposed that the Australa school should be known as the Dyctonies—school. We can say that they have done much more in this direction than the Haward one beautiful. Memale di Economia politica, p. 24 (Milan, 1996).

Message of Economic points, p. 24 (view Praciples, 4th ed., Book I, chapter lil.

quoted phrase, "Induction and deduction are both necessary for the science, just as the right and left foot are needed for walking."

More remarkable still, perhaps, is the opinion of Bucher, an author to whom the Historical school is indebted for some of its most valuable contributions.

It is therefore a matter of great astifaction that, after a period of diligent collection of material, the economic problems of modern commerce have in recent times been realously taken up again and that an attempt is being made to correct and develop the old system in the same way in which it arose, with the ard, however, of a much larger store of facts. For the only method of investigation which will enable us to approach the complex causes of commercial phenomena is that of abstract isolation and logical edeution. The sole inductive process that can likewise be considered—namely, the statistical—in or sufficiently exact and penetrating for most of the problems that have to be handled here, and can be employed only to supplement or control.<sup>1</sup>

#### III: THE POSITIVE IDEAS OF THE HISTORICAL SCHOOL

What made the criticism of the Historians so penetrating was the fact that they held an entirely different view concerning the scope and aim of economics. Behind the criticism burked the counter-theory, nothing less than a complete transformation of the science would have natified the founders, but the younger tchool soon discovered that so mabilitious a scheme could never be carried out. It is important that we should know something of the view of these older writers on this question, and the way they had intended to give effect to their plans. The positive contribution made by the Historical school to economic study is even more important than its criticisms, for it gives a clue to an entirely different point of view with which we are continually coming into contact in our study of economic doctrines.

The study of economic phenomena may be approached from two opposite standpoints, which we may designate the mechanical and the organic. The one is the vantage-ground of those thinkers who love generalizations, and who stek to reduce the complexity of the economic world to the compass of a few formulæ; the other of those writers who are attracted by the constant change which concrete reality presents.

I Handsitetude de Gastmusendigles. In his Grachiu we reads "The writer who figure as representative of indicative research in recent Germat reasoning are not exposed to the practice of deduction as such, but they do believe tenders of the based upon respectial and outsident principles and that other pranciples derived from a more exact observation of facts neight very well be substituted for these." Every cheeved to built view.

Die Entstehung der Volkswirtschoft, Dr Wickett's translation.

THE RISTORICAL SCHOOL The earlier economics for the most part belonged in the forelse. Amid all the weight and variety of economic phenomena th confined their attention almost entirely to those aspects that con be explained on simple mechanical principles. Such were the problem of pike flatteres, the rate of interest, wages, and tent. Professional adapting stell to most variation in demand, with no guide gree personal interest, leaded for all the world his the intermolecular action of fere human leaner in competition with one another. The simplicity of the sits was not without a certain grandeur of in Own

But such a conception of economic life is an extremely limited one. A whole man of reonomic phenomena of the highest importance and of the greatest interest is left entirely outside. The phenomena of the economic world, as a matter of fact, are extremely varied and change able. There are institutions and organizations without number, bash and exchanges, associations of masters and unions of men, comme leagues and co-operative societies. Eternal struggle between the m tradeuman and the big manufacturer, between the merchant and Combine, between the peasant proprietor and the great landown between classes and individuals, between public and private interes between town and country, is the common feature of economic Eff A state rises to presperity again to fall to ruin Competition at on moment makes it superior, at another reduces its lead. A country changes its commercial policy at one period to reintroduce the old regime at another. Economic life fulfils its purposes by employing different organs that are continually modified to meet changing conditions, and are gradually transformed as science progresses and manners and beliefs are revolutionized.

Of all this the mechanical conception tells us nothing. It makes no Attempt to explain the economic differences which separate nation and differentiate epochs. In theory of wages tells us nothing about the different classes of work-people, or of their well-being during successive periods of history, or about the legal and political conditions upon which that well-being depends. Its theory of interetells us nothing of the various forms under which interest ha appeared at different times, or of the gradual evolution of money, whether metallic or paper. Its theory of profits ignores the changes which industry has undergone, its toncentration and enpanion, its individualistic nature at one moment, its collective tred at another. No attempt is made to distinguish between profis in industry or commerce and profits in agriculture. The Classical economists were simply in search of those universal and permanent

phenomena amid which the homo economicus most readily betrayed his character.

The mechanical view is evidently inadequate if we wish to delineate concrete economic life in all its manifold activity. We are simply given certain general results, which afford no clue to the concrete and special character of economic phenomena.

The weakness of the mechanical conception arises out of the fact that it isolates man's economic activity, but neglects his environment. The economic action of man must influence his surroundings. The character of such action and the effects which follow from it differ according to the physical and social, the political and retigious surroundings wherein they are operative. A country's geographical situation, its patural resources, the scientific and arustic training of its inhabitants, their moral and intellectual character, and even their system of government, must determine the nature of its economic institutions, and the degree of well-being or prosperity enjoyed by its inhabitants. Wealth is produced, distributed, and exchanged in some fashion or other in every stage of social development, but each human society forms a separate organic unit, in which these functions are carried out in a particular way, giving, accordingly, to that society a distinctive character entiresy its own. If we want to understand all the different aspects of this life we must make a study of its economic activity, not as it were in sucuo, but in connexion with the medium through which it finds expression, and which alone can help us to understand its true nature 1 This was the first doctrine on which they laid stress: the other follows

was the first doctrine on which they laid stress: the other follows wimediately. This social environment cannot be regarded as fixed. It is constantly undergoing some change. It is in process of transformation and of evolution. At no two successive moments of its existence is it quite the same. Each successive stage calls for explanation, which thiory alone can give. Goethe has given unternace to this thought in a memorable phrase which serves as a kind of epigraph to Schmoller's great work, the Consider. "A person who has no knowledge for three thousand years of history which have gone by must remain content to dwell in obscurity, thing a hand-to-mouth estience." We must have some knowledge of the previous stages of economic development if we are to understand the economic life of the present. In

<sup>1</sup> National bic, like every other form of existence, forms a whole of which the different parts are very internately connected. Complete understanding even of a single aspect of it requires a careful study of the whole. Language, religion, are said existence, law, politics and evenomics must all builder understanding. (Roecter, Procepts.) Cf. the Hildebrand, De Nationaldoness of Copressor and Careful, p. 19.
This is also Knifer's thought.

THE HISTORICAL SCHOOL as naturalises and geologists in their anxiety to understand the prohave instituted hypotheses to explain the evolution of the globe and living matter upon it, so must the student of economics return to to distant past if he wants to get hold of the industrial life of today "Man as a social being," says Hildebrand,

is the child of civilization and a product of history. His wants his intellectual outlank his relation to material object, and his con-Retion with other human beings have not always been the sime Generaphy influences them, history modifies them, while the progress of education may entirely transform them.

The Historians maintained that the earlier economists, by paying exclusive attention to those broader conclusions which had something of the generality of physical laws about them, had kept the science within too narrow limits. Alongside of theory as they had conceived of it-some Hutorians would say instead of it-there is room for another study more closely akin to biology, namely, a detailed description and a historical explanation of the constitution of the economic life of each nation. Such as the positive contribution of the school to the study of political economy, and st Eurly represents the attitude of most modern economists towards history.

Their aim was a perfectly natural and legitimate one, and at first sight, at least, seemed very attractive. But beneath its apparen timplicity there is some amount of obscurity, and its adversarios have thought that upon close analysis it is really open to serious objection. In the first place, is at the aim of the science to present us with an

exact, realistic picture of society, as the Historians loved to think? On the contrary, do we not find that a study can only apire to the name of a science in proportion as its propositions become more general in their nature? There is no science without generalization, according to Aristotle, and concrete description, however indepensable, is only a first step in the constitution of a science. A science must be explanatory rather than descriptive.

Of course Historians are not always content with mere description. Some Historians have attempted explanation and have employed history as their organon. Is the choice a suitable one?

"History," tays Marshall, "tells of sequences and coincidences; but reason alone can interpret and draw lessons from them."

Moreover, is there a single important historical event whose cause

<sup>Die Mitmalitament der Gegenwert und Zaharft, p. 20.

\*\*Principles, Book 1, chapter von
mary well auffren der enistence of causal or conditional relations, but it can i
money j.,

\*\*Tittory,\*\*\* says Wagner (Grandinger, paramoney j.,

\*\*Tittory,\*\* says Wagner (Gra</sup> 

has ceased to be a matter of discussion? It will be a long time before people cease to dispute about the causes of the Reformation or the Revolution, and the relative importance of economic, political, and moral influences in determining the course of those movements has yet to be assigned. The causes that led to the substitution of credit for money or money for barter are equally obscure. Before narrative can become science there must be the preliminary discovery by a number of other sciences of the many diverse laws whose combination gives rise to concrete phenomena.1 Not history but the sciences give the true explanation. The evolutionary theory has proved fruitful in natural history simply because it took the succession of animal species as an established fact and then discovered that heredity and selection afforded a means of explaining that succession. But history cannot give us any hypothesis that can rival the theory of evolution either in its scientific value or in its simplicity. In other words, history itself is in need of explanation. It gives no clue to reality and it can never take the place of economics.2 The earlier Historians claimed a higher mission still for the historical

and carrier Historians claimed a nighter mission still not we distorted at under depth and are planation of concrete recommic reality, but it must also formulate the laws of conomic development. This idea is only held by a few of them, and even the few are not agreed as to how it should be done. Knies, for example, thinks that it ought to be sufficiently general to include the economic development of all nations. Saint-Sumon held somewhat similar view. Others, and among them Rescher, hold that there exist parallelisms in the history of various nations, in other words, that every nation in the course of its economic development passes through certain similar phases or stages. These similarities constitute the laws of economics. If we were to study their movements in the laws of economics.

Hatory may, as a matter of fact, become explanatory, but only in a particular street. In other worth, although it cannot denore the general laws regulating phenomena, it may show what special corsumatances (whose general laws read that period or the proposed to be known) have given me to some event equally specialized in character. But every honest historian has to admit that such explanations are definited by pressual and subjective in character. For a recent examination of three dears from the period of a historian see the profound yet charming introduction contributed by Meyer to the executed defined their Gardants def allerbane. Of these Simulation, pp. 14-16

"Gr. Marchall, Pringuler, Duck T., Chapter vii, pern. "... and mercuit pip (4-11) of C./ Marchall, Pringuler, Duck T., Chapter vii, pern. "... and mercuit pip (4-11) of C./ Marchaller, pp. 1-5-17-Wern pip (4-11) of C./ Marchaller, I. Marchalle

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civilizations of the past we might be able to estimate their pla existing societies,1

Neither point seems very clear. Even if we admit that there is one general law of human development we cannot forecast the line progress, because scientific prediction is only applicable to recurre phenomena. They fail just when the conditions are new. Of cour One can always guess at the nature of the future, but divination is no knowledge. And predictions of this kind are almost always fake. Historical parallelium rests on equally shaky foundations. A nation like any other living organism, passes through the successive stages of Youth, maturity, and old age, but we are not justifed in thinking that the successive phases through which one nation has passed must be a kind of prototype to which all others must conform. All that we can say is that in two neighbouring countries the same effects are filely to follow from the same causes. Production on a large scale, for example has been accompanied by similar phenomena in most countries is Western Europe. But this is by no means an inevitable law. It is simply a case of similar effects resulting from similar causes. Such analogies are hardly worthy of the name of laws. The discovery of the law, as Wagner says, a may be a task beyond human power; and Schmoller, as we have already seen, it of the same opinion.

One remark before concluding. There is a striking similarity between the ideas just outlined and those of a distinguished philosopher whose name deserves mention here, although his influence upon political economy was practically nil. We refer to Auguste Comte. A full exposition of this idea is given in hu Grandrus, but Knier, in the name of the

conception of a unique evolution, contests the view.

This as what M. Renourse thinks of the conception; "If we proceed in all another question as addition to the difficult one already saled and inquire as not assurer vietnam in addition to the difficult one already saked and sequence which different nations have advanced or declared in the pail Specimen and of Buth and transmitted their triumple or their defea to the parameter of the specimen and their triumple or their defea to the net whether on grounds and or crun and transmitted their friumphs or their details to the manufacture of the support consists in the quest by the belief that we already to the support consists in the quest by the belief that we already have some knowledge of a scientific slow and consequently the belief that we knowledge of a scientific slow and consequently of the sam of knowledge of the scientific slow and consequently of the sam of knowledge of the same of knowledge of the s sectory (the half of showledge controlly be not consequently of the aim or number of controlling and almost on the state of showledge controlly be not with formulating such aims, which is the state of fact oursies in the postion of a principle generally began with formulating such aims; we re-marked oursies in the postion of a principles who, not marriy constituting and induced wrates of the mark. impored pressure of the gradient of a progroup prophet who, not merely content with an authors also authors a supprox stream or me truth, and of the dentary of manhand, proceeds to report the believe and suchions the believe and suchions are completed as an animas not normally under which both pracher and auditors are comprised to better and to act as accordance with what still undoubledly come to pure. Public and sections of the comprised of t subject and religious integration with what will undoubtedly come to pure favor-confidence which the arrangements werks on external observation the elements and confidence which the confidence with the confidence of the confide common one response structure areas in external observation the element of the common formers, the discourse of the discourse for the ere day, as a brite effective as were the amount on the openior of the and the ere day, as a brite effective as were the amount over to the openior of the amount of the end of the who have no the special specia was any so turn in it, and it only support these who already believe." [forestern this content of making any fillings, and al., Vol. 1, p. 21.] Regrout philosophic already believe." and content to proper at 1 History, and at, Vol. 1 p. 111.) Perpose y possing the property of possing what the fatter may be like from the chargest Constitute, para 90; French translation, p. 342.

It is curious that the earliest representatives of the school should have ignored him altogether, but just as Mill remained unknown to them so the Cours de Philosophie pointier, though published in 1842, remained a scaled book so far as they were concerned. Comte's ideas are so very much like those of Knies and Hildebrand that some Positivist economists, such as Ingram and Hector Denis, have attempted to connect the Historical tendency in political economy with the Positive philosophy of Comte.\(^1\)

The three fundamental conceptions which formed the basis of the teaching of the Historical school are clearly formulated by Comte. The first it is importance of studying economic phenomena in connexion with other social facts. The analysis of the industrial or economic life of society can never be carried on in the 'positive' spirit by simply making an abstraction of its intellectual, political, or moral life, whether of the past or of the present. The second is the employment of history as the organon of social science. "Social research," says he, "must be based upon a same naralysis of the all-round development of the best of markind up to the present moment, and the growing prediction for historical study in our time augurs well for the regeneration of political economy." He was fully persuaded that the method would foter scientific prediction—a feature which is bound to fuse all those diverse conditions which will form the basis of Positive politics.

Comte wished to found sociology, of which political economy was to be simply a branch. The Historical school, and especially Knies, rearded economies in the same spirit. Hence the analogies with which Knies had to content himself, but which the younger school refused to recognize. But there was a fundamental difference between their respective points of view, and this will help us to distinguish between them.

Comte was a believer in inevitable natural laws, which, according to the earlier Historians, had wrought such havo: The Historical method also, as he conceived of it, was something very different from what the older or the newer Historical school took it to be.

Adopting a dictum of Saint-Simon, Comte speaks of the Historical method as an attempt to establish in ascending or descending series the curve of each social institution, and to deduce from its general outlines conclusions as to its probable growth or decline in the future. This is how he himself defines the process:

The essence of this so-called historical spirit, it seems to us, consists in the rational use of what may be called the social series method, or,

<sup>&</sup>lt;sup>1</sup> Cf. Ingram, Hustery of Political Economy, and Denis, Histoire des Systèmes. <sup>2</sup> A. Comte, Cours, Vol. IV, p. 198.

THE HISTORICAL SCHOOL in other words, in the due appreciation of the successive stage human development as reflected in a succession of humander. Careful study of such facts, whether physical, intellectual, mena Continuous growth on the one hand and equally continuous decline on the other. Hence there results to squany, summerous measure on one owner. Greate toese rooms of scientific prophety concerning the final accordancy. the former and the complete overthrow of the latter, provide always such conclusion is in conformity with the general laws of human development, the sociological preponderance of which mut never be lost sight of.1

It was in virtue of this method that Saint-Sumon predicted the coming of industrialism and that Comte prophesied the triumph of the positive spirit over the metaphysical and religious.

There is considerable difference between this attitude and the Historical method as we know it, and the attempt at affiliation to us altogether unwarranted. But the coincidence between C views and those of Knies and Hildebrand is none the less reman. and it affords a further proof of the existence of that general fe which prompted certain writers towards the middle of the centure attempt a regeneration of political economy by setting it free k

the tyranny of those general laws which had nearly stifled its life. It seems to us, however, that the Historical school is mistaken is imagines that history alone can afford an explanation of the prese or will ever enable us to discover those special laws which determin the evolution of nations.

On the other hand, it has a perfect right to demand a place beside economic science, and it is undoubtedly destined to occupy a position till more prominent in the study of economic institutions, in statisfied investigation, and above all in economic history. Not only is a detailed description of the concrete life of the present of absorbing interest in itself, but it is the condition precedent to all speculations concrining

It is interesting to learn the vices of haterians on this point. Meyer thinks that the object of history is not to discover the general law of development, but to describe and epida particular concrete prents as they accred one another. Such design the stylene personner stocking receiving precise as they accrete one another, much under the stylene and the s one can vary or man in accordance with the pulse of haterical criticam, betrepassed for it only possible with the sail of analogy. If it only by the use of analogy that the factoring range and not not be goodly? It is easy by for use or non-year, approach, approach, where there are psychological motion. one monomer can express part events, repressily where there are psychological posteriors and factors a max require analysis. The explanation this given will necessarily be of a neighbor for Abundance, and from its very nature necessary produces are given by Abundance. Of Ed Moyer, Galakde the fall was the control to very sature securchal professator." (Fig. Mirre, common processors, fall of parts, 172 or sey. They does not seen to be control of the control or consisted surveys the method and that of Aug. Comite. One becomes re-duction and of the after reading Langion and Supporting Johnstons on Ends despites or G. Monoff study as historical method in the Method data in Sweet and a second of the study as historical method in the Method data in Sweet and a second of second or the second of the Method data in Sweet and second or the second of the second of second or the second or the second of second or the second or merges as a himself actify an americal method to the let himber date or are associated, for the himber date or are associated for the himber date of article date.

the future. The theorist can never afford to neglect the minute observation of facts unless he wills that his structure shall hang in the void. Most abstract economists feel no hesitation in recognizing this. For example, Jevons, writing in 1879,1 gave it as his opinion that "in any case there must arise a science of the development of economic forces and relations."

This newer historical conception came to the rescue just when the science was about to give up the ghost, and though they may have failed to give us that synthetic reconstruction which is, after all, within the ability of very few writers, its advocates have succeeded in infusing new life into the study and in stimulating new interest in political economy by bringing it again into touch with contemporary life. They have done this by throwing new light upon the past and by giving us a detailed account of the more interesting and more complex phenomena of the present time.\* Such work must necessarily be of a fragmentary character. The school has collected a wonderful amount of first-class material, but it has not yet erected that palace of harmonious proportions to which we in our fond imagination had likened the science of the future. Nor has it discovered the clue which can help it to find its way through the chaos of economic life. This is not much to be wondered at when we remember the shortcomings of the method to which we have already had occasion to refer. Indeed, some of the writers of the school seem fully convinced of this. Professor Ashley, in an article contributed to the Economic Journal, employs the following words:3

As I have already observed, the criticisms of the Historical school have not led so far to the creation of a new political economy on historical lines: even in Germany it is only within very recent years that some of the larger outlines of such an economics have begun to loom up before us in the great treatise of Gustav Schmoller.

In view of considerations like these one might have expected that the Historical school would have shown greater indulgence to the attempts made both by the Classical and by the Hedonistic schools to give by a different method expression to the same instructive desire to simplify matters in order to understand them better 4

Theory of Political Economy, preface to the second edition, 1879

Schmoller's Jahrbuch contains descriptive studies of present-day commercial and industrial undertakings which are veritable models.

The Present Position of Political Economy, in the Economic Journal, 1907, p. 487.

We have not the necessary space in this volume to refer to the buttory of statistics. This science, though independent of political economy, is, however, such a powerful auxiliary that its progress has to some extent been parallel with the growth of economics. During the last twenty years the methods of interpreting statutics (we are speaking merely of observation) have been very considerably improved. The logical

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## STATE SOCIALISM

# CHAPTER II: STATE SOCIALISM

The nineteenth century opened with a feeling of contempt for gon ment of every kind, and with unbounded confidence on the part nent of every kind, and with unbounded coundence on the parties of economic liberty and behind at teast every pumicar in the virtue of economic intervals initiative. It closed aimid the clamour for State intervention in a matters affecting consonic or social organization. In every country matters attecting economic or social organization. In every country, the number of public men and of economists who favour an extractor. the number of public men and of economists who favour an extension of the economic function of constrained has been continually froming and after two transfers. To or the reconstruction of government has been continually growing and after two world wars such men are certainly in the majority. To and easer two would warr such men are certainly in the majordy. we some writers this change of opinion has seemed sufficiently important to warrant special treatment as a new decitine, variously known to warrant special treatment as a new docume, variously and the Socialism of the Chair in Germany and ventionism in France.

Really it is not an economic question at all, but a question practical politics upon which writers of various shades of recom-Principal Position upon winch writers of various shades of econo-opinion may agree despite extreme differences in their theorem opinion may agree despite extreme differences in their measures.

The problem of defining the limits of governments. Deconsequents. In a problem of defining the limits of governments.

Action in the matter of producing and distributing wealth is one of the state of the most important in the whole realm of political economy, but it can further important in the whole results of political economy; when the considered a fundamental scientific question upon the constant of th that it usus you considered a fundamental scientific question upon the conomic opinion is hopelessly divided. It is clear that the which contains opinion is hopelessly divided. It is clear that we should not the problem must depend not merely upon purely economic the second states of th Adution of the problem must depend not merely upon purely economic and political considerations, upon the peculiar conception of social and political considerations, upon too the himself and it. permise conception of general interest which the individual nations of confidence which he can place he had been placed as the can placed for timeri and the amount of confidence which he can place in the amount of confidence which he can place in the amount of the amount of the problem is about of a new confidence which he can place in the amount of a new confidence which he can place in the amount of a new confidence which he can place in the amount of a new confidence which he can place in the amount of the confidence which he can place in the amount of the confidence which he can place in the amount of the confidence which he can place in the confidence wh changing, and whenever a new kind of society is created or a new

problems involved have been studied with much sare, and the application of matter and the supplication of matter and the success of the Provinces involved have been studied with much face, and the application of mathematical and alread so makes such mathematical provinces from the face, and the application of mathematical provinces of mathematical provinces of the section of the section provinces. makes to these problems has proved very fivilial. No student of the exist some server of critical or the contract of the exist some server of critical on. The basiness of critical one of critical or the contract of critical or the contract of critical or the contract of critical or the critical society of critical or the critical or the critical or the critical society critical or the critical or the critical society critical or the critical society critical society. can also do majore such mathematical theorem as those of continuous, continuou terpres of struct the The Indiany of stability, which statistics many removes assort to stability, which statistics many removes assort the statistics of the stability through the stability through the stability to stability to stability the stability to stability to stability to stability the stability to stability to stability to stability the stability to stability to stability the stability to stability the stability to stability the stability to stability the stability of the stability of the stability to stability the stability to stability the stability of the stability to stability the stability to stability the stability that the stability th from Content to Karl Praving, would returnly choose a chapter in a head decing this particular histograph there would be seen and of girlds it too sentions a break decing the content with sections of some and of girlds it too sentions at least the content a beautiful to sent the content of with next test although there would be some take of giving it so exerting a loss of Stability, a best construction a has be reached to they take a sometimental a loss of Stability, a best construction a has be reached to they take a sometimental a loss of the source o We shall tell common with referring the exists to Ulay Vales Anadoms to the Face of State Res. which constitutes what is perhaps the long recent introduction to the Face of the long recent introduction to the second of the social section of the second section of the of state Art, which constitute what is britate the long recent forwards or to be supported in the constitution of the support in this world great forwards for the state of th discussed concerning the method to be employed to this world wine, and know, it has only to the study of the following to this world wine, and know, the semants women to that the state, their posts to the state, their posts to the state, their posts to the state, independent complement to the study of the first comment in the shaper of the first comment is the shaper of the study of the first comment in the shaper of a flag-scaling make the remark associated that the flate eliminary parallel demonstrates and flagal has shown as the associated the flate eliminary parallel demonstrates, and flagal has shown as the associated the sound that he for eliminary parallel demonstrates and the sound flate of the east, reard size 1765. It Agreem, Wen, that a field which is for describing and discount state and discount state above for the state of the state o creater later, and hierard has become of the Fireway of the time Size. Such one is charged permissionly by the time of the time Size. Such one is confirmed by the time Size. Such one is

Government is established a fresh solution is required to meet the changed conditions.

How is it, then, that this question has assumed such extravagant proportions at certain periods of our history?

Had the issue been confined to the limits laid down by Smith it a probable that such passionate controversies would have been avoided. Smith's arguments in favour of lausze-farm were largely economic. Gradually, however, under the growing influence of individual and political liberty, a kind of contempt for all State action took the place of the more careful reasoning of the earlier theory, and the superiority of individual action in matters non-economic became an accepted axiom with every publicist.

This method of looking at the problem is very characteristic of Bastiat. The one feature of government that interested him was not the fact that it represented the general interest of the citizens, but that whenever it took any action it had to employ force; whereas individual action is always free. Every substitution of State for individual action meant victory for force and the defeat of liberty. Such substitution must consequently be condemed. Smith's point of view is totally different. To appreciate this difference we need only compare their treatment of State action. In addition to protecting the citizens from invasion and from interference with their individual rights, Smith adds that the sovereign should undertake

the duty of erecting and maintaining certain public works and certain public institutions, which it can never be for the interest of any individual, or small number of individuals, to erect and maintain; because the profit could never repay the express to any individual or small number of individuals, though it may frequently do much more than repay it to a great society.

The stope is sufficiently wide, at any rate. If we turn to Bustiat, on the other hand, we find that the Government has only two functions to perform, namely, "to guard public security and to administer the common land." Viewed in this light, the problem of governmental intervention, instead of remaining purely coronnic, becomes a question of determining the nature, aims, and functions of the State, and Individual temperament and social traditions play a much than and individual temperament and social traditions play a much may

<sup>1.</sup> The distinctive character of the State merely consists in this necessity to have revourse to force, which also helps to indicate the extent and the proper limits of its action. Government is only possible through the intervention of force, and its action is only legitimate when the intervention of force can be shown to be justifiable."

<sup>(</sup>However, 10th ed., pp. 352-535)

\* World of Nature, Rock IV, chapter is; Cannan's ed., Vol. II, p. 183.

\* However, 10th ed., p. 446.

important part than either the operation of economic phenomena any amount of economic reasoning. It is not surprising that see writers thought that the one aim of economics was to defend the liberty and the rights of the individual!

Such exaggerated views were bound to beget a reaction, and the defrace of State action assumes equally abound proportions with some of the writers of the opposite school. Even as far back as 1856 Deposit White, a French writer, had uttered a protest against this penatest depreciation of the State, in a short work entitled L'Islands et Fest. His ideas are so closely akin to those of the German State Socialism

that they have often been confused with them, and it is simpler to give an exposition of both at the same time. But he was a voice. in the wilderness. Public opinion under the Second Empire was little disposed to listen to an individual who, though a Liber. politics, was yet auxious to strengthen the power and to add to

economic prerogative of the Crown. More favourable circumstar were necessary if there was to be a change of public opinion on i matter. The times had ripened by the last quarter of the century, as the elements proved propitious, especially in Germany, where the reaction first showed itself. The reaction took the form not so much of the creation of a new

doctrine as of a fusion of two older currents, which must first be

During the course of the nineteenth century we find a number of economists who, while accepting Smith's fundamental conception, gradually limit the application of his principle of lainerfaire. They thought that the superiority of latter-fair could not be scientifically demonstrated and that in the great majority of cases some & State intervention was necessary.

On the other hand, we meet with a number of socialists who themselves to be more opportunistic than their comrades, and the equally hostile to private property and freedom of production, never heitate to address their appeals on behalf of the worken existing Governments.

State Socialism represents the fusion of these two currents. It is passes the one in its faith in the wisdom of Governments, and is di tinguished from the other by its greater attachment to the rights of private property; but both of them contribute some items to in Programme. In the first place we must try to discover the source of these separate tendencies, and in the second place watch the

#### I: THE ECONOMISTS' CRITICISM OF LAISSEZ-FAIRE

The doctrine of absolute lauser-faire was not long allowed to go unchallenged. From the time of Smith onward there is an unitary rupted sequence of writers—all of them by no means socialists—who ventured to attack the fundamental propositions of the great Scottman and who attempted to show that his practical conclusions were not always borne out by the facts.

Smith based his advocacy of lassez-faire upon the supposed identification of public and private interests. He showed how competition reduced prices to the level of cost of production, how supply adapted itself to meet demand in a perfectly automatic fashion, and how capital in an equally natural way flowed into the most remunerative occupations.

This principle of identity of interests was, however, rudely shaken by the teachings of Malthus and Ricardo, although both of them remained strong adherents of the doctrine of individual liberty.

Stanondi, who was the next to intervene, laid stress upon the evils of competition, and showed how social mequality necessitated the submission of the weak to the will of the strong. His whole book was simply a refutation of Smith's providential optimism.

In Germany even, as early as 1892, that brilliant economist Hermann was already proceeding with his critical analysis of the Classical theories; and after demonstrating how frequently individual interest comes into conflict with public wellare, and how inadequate is the contribution which it can possibly make to the general well-being, he declares his inability to subscribe to the doctrine laid down by most of Smith's followers, namely, that individual activity moved by personal interest is sufficient to meet all the demands of national economy. Within the bounds of this national economy he thinks there ought to be room for what he call the civic spirit (Germierusen) as well.

The next critic, List, bases his whole case upon the opposition between immediate interests, which guide the individual, and the permanent interests of the nation, of which the Government alone can take account.

Stuart Mill, in the famous fifth book of the Principles, refuse your to discuss the doctrine of identity of interests, believing it to be quite unsteadle. On the question of non-intervention he admits the validity of one economic argument only, namely, the superiority of self-interest as an economic motive. But he is quick to recognize its shortcoming and the exceptions to its universal operation—in the natural incanceive

Hermann, Staatmertschaftliche Unternehmern, 1st ed., pp. 12-18.

of children and of the weak-minded, the ignorance of consumers, difficulty of achieving it, even when clearly perceived, without t help of society as a whole, at in the case of the Factory Acts. Mill al points out how this motive is frequently wanting in modern industria organization, where, for example, we have joint stock companies acting through the medium of a paid agency, or charitable work undertaken by an individual who has to consider, not his own interests, but those of other people. Private interest is also frequently antagoninie to public interest, as in the case of the public supply of gas or where the individual enterprener is influenced by the thought maximum profit rather than by considerations of general interest

matters of that kind Stuart Mill was inclined to favour State is M. Chevalier, from his professorial chair in the Collège de Frat extended his congratulations to Mill upon his successful restoration the legitimate duties of Governments. Chevalier thought that the who believed that the economic order could be set up simply by th aid of competition acting through personal interest were either illogical in their arguments or irrational in their aims. Government was simply the manager of the national organization, and its duty was to intervene whenever the general interest was endangered. But the duties and privileges of government are not exactly those of the village policeman. Applying this principle to public works, he point set that they are more or less State matters, and the guarantee for good work is quite as great when the State itself undertakes to perform it at when it is entrusted to a private individual. In 1863 Cournot, whose reputation was unequal to either Mill.

Chevalier's, but whose penetrating thought, despite its small int diate influence, is quite important in the history of economic doctrin treats of the same problem in his Principa de la thoris de richen Going straight to the heart of the problem, he asks whether it is possible to give a clear definition of this general interest—the economic obtains which we are anxious to realize—and whether the system of free

A similar idea is contained in Libray, where it is stated that "trade is a recisi set," and as the conduct of every merchane; comes within the jurisdiction of occup; and it is the notion of our processors of the hat "as the principle of individual Electry is not involved in the doctrine of feet so nother is to most of the rade, so neither is it in most of the questions which arise respecting the limit section as it is store or the questions which arise respecting the university of control is admissible for the or of fraud by adulteration; how far samus precisions or stranger than the samus processing t or or traduct by additional how far samilary percentions, or attempts there workpropple employed in dangerous occupations, should be enfor one measurement employed in dangerous occupations, about to turn below that they speople may be legitimately controlled for the Journeyse unuermanie. (Chapter v.)
Michel Chrysler, Introductory Lectures, No. 10, in Cour., Vol. I, p. 211.

competition is clearly superior to every other. He justly remarks that the problem is insoluble. Production is determined by demand, which depends both upon the preliminary distribution of wealth and also upon the tastes of consumers. But if this be the case, it is impossible to outline an ideal system of distribution or to fix upon the kind of tastes that will prove most favourable for the development of occiety. A step farther and Cournet must have hit upon the distinction to neathy made by Pareto between maximum utility, which is a variable, undefined notion, and maximum ophelimity. "the investigation of which constitutes a clearly defined problem wholly within the realm of economies."

But Cournot does not therefore conclude that we ought to abstain from passing any judgment in the realm of political economy and abandon all thought of social americation. Though the absolutely best cannot be defined, it does not follow that we cannot determine the relatively good. "Improvement or americation is possible," says he, "by introducing a change which operates upon one part of the conomic system, provided there are no indirect effects which damage the other parts of the system." Such progress is not necessarily the result of private effort. Following Sismondi, he quotes several instances in which the interests of the individual follide with those of the public and in which State intervention might prove useful.

Devry one of these authors—in varying degrees, of course—admits the legitimacy of State intervention in matters economic. Liberty doubtless is still the fundamental principle. Simmodi was content with mere aspiration, so great did the difficulties of intervention appears to him. Susart Mull thought that the mus proband should rest with the innovator. Cournot considered liberty as being still the most natural and simple method, and should the State find it necessary to intervene it could only be in those instances in which science has clearly defined the aim in view and demonstrated the efficacy of the methods proposed. Every one of them has abandoned liberty as a scientific Principle. To Cournot it was an axiom of practical wisdom; Stuart Mill upheld it for political reasons as providing the best method of eveloping initiative and responsibility among the citizens. They all spree that the State, far from being a pix all m, has a legitimate sphere of action. The difficulty is just to define this. Thus was the task to

Pareto, Court of Lonorais politique, Vol. II, para, 656 (1897).

François, p. 428 Bud., pp. 444, 464, 581.

Stear Mill has tried to do so in a formula that is not very illuminating: "To stream with the best of the stream o

which Walras addressed himself with remarkable success in his k on the theory of the State, delivered in Paris in 1867-68.1

And so we find that the progress of thought since the days of Smith had led to important modifications of the old doctring one ing the economic functions of the State. The publicity, how were not immediately converted. Even when the century was war they still remained faithful to the optimistic individualism of it carlier period. The organon of State Socialism merely consists these analyses incorporated into a system. The authors just mented must consequently be regarded, if not as the precursor of \$22 Socialism, at any rate as unconsciously contributing to the theory.

### II: THE SOCIALISTIC ORIGIN OF STATE SOCIAL RODBERTUS AND LASSALLE

State Socialism is not an economic doctrine merely. It has a axand moral basis, and is built upon a certain ideal of junic and particular conception of the function of society and of the Sate, The ideal and this conception it received, not from the economist, the from the Socialists, especially Rodbertus and Laxalle. The sim of these two writers was to effect a kind of compromise between the Society of the present and that of the future, using the power of the modern State simply as a lever.

The sides of a compromise of this kind was not altogether new. A faint suggestion of it may be detected more than once in the courof the century, and an experiment of the kind was mooted in Iras towards the end of the July Monarchy. At that time we find malk Louis Blanc and Vidal—who were at least socialists in their groundoutlook—writing to demand State intervention not merely with View to repairing the injuntice of the present society, but also with view to preparation for the society of the future with as little level. with the Past as possible. Louis Blane was in this sense the first possible. anticipate the programme of the State Socialists. But its more incedate imputers were Redbertus and Lassalle, both of whom beleged to that country in which its effects were most clearly seen

Their influence upon German State Socialism cannot be ruch measured by the amount of direct borrowing that took plur Tre here linked by ten of cleans friendship to the trem who here repyen? for creating and populariting the new ideas, and it is imported the we should appreciate the personal influence which they wished 1 Republished to he finds of famous small, 1856. See a brid round as of Chapter on Real

Rodbertus formed the centre of the group, and during the two years 1805-6, he carried on an active correspondence with Lassalle. They were brought together by the good offices of a common friend, Lothar Bucher, an old democrat of 1848 who had succeeded in becoming the confidant of Bimarck. Strangely enough, Bimarck kept up his friend-ship with Lassalle even when the latter was most busily engaged with his propaganda work. Wagner, also, the most emment representative of State Socialism, was in frequent communication with Rodbertus, and he never failed to recognize his great indebtedness to hum. Wagner himself was on more than one occasion consulted by Bimarch

But apart altogether from their connexion with State Socialism, Rodhertus and Lassalle would deserve a place in our history. Rodhertus is a theoretical writer of considerable vigour and eloquence, and his thoughts are extraordinarily suggestive. Lassalle was an agustor and propagandist rather than an original thinker, but he has left a lasting impression upon the German labour movement. Hence our determination to give a somewhat detailed exposition of their work, especially of that of Rodhertus, and to spare no effort in trying to realize the importance of the contribution made by both of them.

#### I. RODBERTIN

In a history of doctrines Rodbertus has a place peculiarly his own. Herm, as it were, a channel through which the ideas first preached by Simondia and the Saint-Simondians were transmitted to the writers who belong to the last quarter of the century. His intellectual horizon—largely determined for him by his knowledge of these French sources—wast fixed as early as 1823, when he produced his Forderungen, which

<sup>1</sup> For a general account of Lassalle's life, and especially his relations with Bismarck, see Hermann Oncken, Lassalle (Stuttgart, 1904).

There has been no dispute concerning the French origin of Rodbertus's ideas since the evidence was sifted by Menger in his Das Rocht auf den sollen Arbeitsertrag (1st ed , 1886). But Menger only mentions two sources of inspiration, Proudhon and the Saint-Sunonians. The text will sufficiently indicate his indebtedness to the Saint-Simonians, but we think that Sismondi might well have been substituted for Proudhon. The only Proudhonian doctrine that is discoverable in Rodbertus is the theory concerning the constitution of value. But in the second of the Socials Brufe (Schriften, Vol. II, p. 46, note) he states definitely that the idea was not a borrowed one, and that he himself was the first to formulate it, although he omits to state in what connexton. He may be referring to a passage in his Forderwagen, where the idea is quite clearly expressed Speaking of Ricardo's theory of value, he says: "That theory comes to grief on a single issue, namely, in regarding a thing as existing when it only exists in the mind, and treating a thing as a reality when it only becomes real in the future." (Schrifter, Vol. III, p. 120.) It is clearly pointed out that the task of the future is to determine what value is. The Forderwigen, where all the master ideas of Rodbertus may be studied, was published in 1837, nine years before the Contradictions decommiques was published by Proudhon, who made his first reference to the question in that work,

expeared in 1832, and the earliest of the Social Bris and 1851. At the time these passed almost unnotice and 1951. As the time were passed author common when Lassalle in his treatise in 1862 referred to his of German economists, and when conservative with Meyer and Wagner drew attention to his work, that his ALTER and Independent of the Assessment of the notice which they deserved. The German economics the last century were greatly influenced by him. His ide are largely those of the earliest French socialists, who wen me satisfy access to the contract of the process intellectual force and become

movement may mak us purely microcross cone and section in the struggle of the July Monarchy, but his clear logic and in the allogue to the July productiff, but has been used on making method, coupled with his knowledge of economics, we exelf, and subcrite to that of his backcrosses, give to the degree of permanence which they had never enjoyed before Ricardo of socialism, as Wagner calls him, did for his pred-Authority of steamant, as progrees want num, one on an process of the control what Ricardo had succeeded in doing for those of M and Smith. He magnified the good routh of their work and en sized their fundamental postulater. Redbertus 3 upbringing decreet that he should not become invol Assurerus a uputinging occree that he should not become into

agilation, and whose best-known representative is Mark. Mark on Scheening and writing total anown representative a Mark. Media and revolution, commonle theory and political action. as being indissolubly one. Rodbertus, or the other band, was a great theral fandowner who are on the Left Centre in the Prusian National Assembly of 1846, and his political faith is summed up in the two phonon Assembly or take, and an pointed tanh is summed up in the two paraces, constitutional government, and national unity, a The success wor Les Dévandes sours Handwickelfile de Coulée (New Brandenburg, 18 has not been remaid since.

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policing philosophy, the lands of federals, in 8 (Berlin, 1978), the clared on the Briefs one Lands on Southern in 8 (Berlin, 1978), the clare hand, as Alexans shows, the accuracy of Alexand theory are En an introduction to the fluid are facilities and facilities. It is the other hand, as Manage shows, the source of Maris theory are Entitle Sources of Maris theory are Entitle by the Bismarckian policy gradually drew him nearer the monarchy. especially towards the end of his life.1 His ideal was a socialist party renouncing all political action and confining its attention solely to social questions. Although personally favourably inclined towards universal suffrage, he refused to join Lassalle's Arbeiterverein because Lassalle had insisted upon placing this article of political reform on his programme.1 The party of the future, he thought, would be at once monarchical, national, and socialistic, or at any rate conservative and socialistic.3 At the same time we must remember that "in so far as the Social Democratic party was aiming at economic reforms he was with it heart and soul "4

Despite his belief in the possibility of reconciling the monarchical policy with his socialistic programme, he carefully avoided the economic teachings of the socialists. His too logical mind could never appreciate their position, and he had the greatest contempt for the Socialists of the Chair, He would be the first to admit that in practice socialism must content itself with temporary expedients, although he cannot bring himself to believe that such compromise constitutes the whole of the socialistic doctrine. He refers to the Socialists of the Chair as the "sweetened water thinkers,"s and he refused to join them at the Eisenach Congress of 1872-the "bog of Eisenach," as he calls it somewhere. He regarded the whole thing as a first-class comedy. Even labour legislation, he thought, was merely a caprice of the humanitarians and socialists. So that whenever we find him summing up his programme in some such sonorous phrase as Staat gegen Staatslorigkeit? ("the State as against the No-State") we must be careful to distinguish it from the hazy doctrines of the State Socialists.8

Stander, pp. 60-63 (Berlin, 1874).

A characteristic sign of this evolution is the substitution throughout the second edition of the Sciele Baye of the word Statumile ("the will of the State") for the word Velkusile ("the people's will") This second edition, comprising the second and third letters, was published by him in 1875 under the title Zur Beleuchtung der toqualen Frage.

Letter to R. Meyer, November 29, 1871 This point of view is developed at length in his "Open Letter to the Committee of the Association of German Work-

men at Lespzig," April 10, 1863, published by Moritz Wirth in the Klass Schifter,
Letter to R. Meyer, March 12, 1872 Cf. the letters of January 23 and February

<sup>3, 1871.

\*\*</sup>Abid.\*\*, November 30, 1871. In 1874 he proposes to offer himself as a socialust candidate for the Reichstag, but recognizes that the State must first of all be attemptioned on the multary side as well as on the religious.

Ibid , October 17, 1872. 4 Ibid., January 6, 1873.

Ibid , March 10, 1872, and Phynokratie u. Anthropokratie, in Briefe u. Sozialpolitische

Aufsätze, pp. 521, 522. He protests vigorously against the title of Katheder Sociolus in a letter of August 26, 1872. A vigorous criticism of the Socialism of the Chair, written in a private letter of Rodbertus, is quoted at length by Rudolf Meyer in his Emancipationskampf des 4ten



Here, after 1843 we find Rielbertin proposing the substitution of a rosten of State directions for the system of natural hierty, and his whole work is an attempt to jointly the introduction of such a system. Let us examine his thesis and review, the various economic functions which we defend above. Let us also wasts their operation at the present day and see less of december, these functions would be discharged in a better-constant of community.

I, it is hardly recreed to speak of production adopting stell to swial need under casting conductors, because production only adopt into the deficition of the definition of the definition of the deficition of more. That fact had been hand at by bonds, and hamonish had did cronderable stress upon it, but Rederbetts was the earliest to point out that this really meant that each those people who already power according can have their wants statisfied. I howe who have nothing to offer except their labour, and find that there is no demand for that bloom, have no share in the sexual product. On the other hand, the individual who draws an income, even though he never due have work for it, is able to make effective the demand for the objects of his desire. The result is that many of the more necessitions person roun rocks to unsatisfied, while others willow in luxur.

There weed was never spakes. Rolliertus had a perfect right to import on the fundamental fallacy lurking within a system which could test unemployment—that modern form of farmer, as imply a over-prediction of greds, and which found stelf unable to modify at except through public or prestate charty. He arrendy consusted of a Nopsall to set up preduction for social need as a substitute for production for demand. The first that to be done was to find out the time which each individual would be willing to give to productive work, making a note of the character and quantity of goods required at the same time. I let thought that "the want of men in general form an even series, and that the hind and number of objects required can easily be calculated." Knowing the time which society could afford to give to production, there would be no great difficulty in distributing the products among the various producers.

This is to go to work a little too precipitately and to shun the greatest

Schryler, Vol. III, p. 216.

<sup>5</sup> II as a visit State of this description people produce, not with a view to satisfying the as with State of this description in other words, they produce for those who powers." (Kaptale, p. 161. Cf. also p. 51.)

<sup>\*\*</sup>Provided we have the time that a person could afford to devote to the work of production, we could easily determine the quantity that would be sufficient to satisfy the nords of everybody," (Bid. p. 100)

\*\*Held. 1, to a

difficulty of all. The uniform series of wants of which R. speaks exist only in the imagination. What we really find it number of collective needs combined with a great variety of ind needs. Social need is merely a vague term used to designate kinds of wants at once. The slightest reflection shows that every vidual possesses quite a unique series of needs and tastes. To production upon social need is to suppress liberty of demand and sumption. It implies the establishment of an arbitrary scale of ne which must be satisfied and which is to be imposed upon every in vidual. The remedy would be worse than the evil.

But the opposition between social need and effective demand by n means disposes of his argument. The opposition needs some proving and some explanation of the producers' preference for demand ruber than need ought to be offered. The explanation must be sought in the fact that the capitalistic producer of to-day manager his business in accordance with the dictates of personal interest, and personal interest compels him to apply his instruments to produce whatever will yield him the largest net product. He is more concerned about the amount of profit made than about the amount of produce raise produces, not with a view to satisfying any social need, but i

This contrast between profit-making and productivity de-

me attention. Simondi had already called attention to it by guishing between the net and the grost product. A number ters have treated of it since, and it holds a by no means insignific be opposition is dwelt upon in no equivocal fashion by Rodbertu

pursuit of the maximum net product is clearly the product? guide, but the conclusions which he proceeds to draw from it are that more questionable. If we accept his opinion that the satuof social need and not of individual demand is the determining in production, we are driven to the conclusion that modern

the rest and gross product was one of the outstanding problems Greation on the new and gross product was one of the multimoding process.

\*\*Table (Fig. 1): A product of Richard, p. 215, Park, 1840) and Oct (Faul of Fig. 2): A product of the first of areas, p. 95, 1951) lay stress upon it Since then Caured, Dubroug, are by Effects and Landry, have bandled the problem same. But seek to be common control of the problem same. But seek to they access and Landry, have bandled the problem anew, but even a very construction of the problem anew. But even a very constructivity defines it in his own further and a land of the construction.

story do see Paily daces the word 'productivity' defines it in his tree non-manus to cours may be clear that the same question. Railforms as we shall have sections in peace set in the first, one the west in a very rape fasher informa-tion as the last of in the first, one the west in a very rape fasher informamake an peace out in the level, care the word in a very regret faither power, and of lathous one colored an about day makes. It seems to be that under a regime of decision of labour results of an access of the contract the state of the state of the post enterior. But it would be a matter to remove the state of production profits make a change in the methods of production interested to the state of the s ness were destining process make a change in the methods of production severances, that change will be welcomed with equal restination by everybody, by both some and weeker alies

society, actuated as it is by this one motive, cannot possibly satisfy every individual demand. But we have already shown that the phrase 'social need' has no precise connotation; neither has the term 'productivity, which is so intimately connected with it. Turther, if society has no desire to impose upon its members an arbitrary scale of wants that must be satisfied-in other words, if demand and consumption are to remain free-it can only be by adopting that system which recognizes a difference between the present and the future 'rentability' of the product. This difference between the sale price and the real cost of production of any commodity must, it seems to us, be recognized even by a collectivist society as the only method of knowing whether the satisfaction which a commodity gives is in any way commensurate with the labour involved in its production.1 Pareto has given an excellent demonstration of this by showing how collectivist society will have to take account of price indications if social demand is to be at all adequately supplied.

a. Turning to the other desideratum, namely, a fuller utilization of the means of production, Rodbertus contents himself with quoting the ordicisms of the Saint-Simonian concerning the absence of conscious direction which characterizes the present regme and the hereditary clement which is such a common feature of economic administration. He is in full agreement with Simondi when the latter declares that production is entirely at the option of the capitalist proprietor. In this matter he is content merely to follow his leaders, without making any contribution of his own to the subject.

3 There still remains a third economic function which society ought to perform, and which Rodbertus considered the most important of all, namely, he distribution of the social product. An analysis of the present system of distribution was one of the tasks he had set himself to accomplish, believing with Simondi and other socialists that a solution of the problem of distribution and the explanation of such phenomena as economic crises and pauperism constitute the most vital problems which face the science at the present moment.

A just distribution, in Rodbertus's opinion, should secure to every one the product of his labour. But does not the present regime of free competition and private property accomplish this?

<sup>&</sup>lt;sup>1</sup> He is dealing merely with individual wants. Rentability is not the only guide. Many collective wants must be satisfied, but the process is not always a profitable one. The problem is to determine which are those wants Robbertus is speaking of private wants; he has taken good care to leave the public needs saide, so that his "Augustent spilled only to the former." "August, pp. 164-165.

Rodertus further adds that a portion of everybody's income should be expended in supplying such public needs. (Kassial, pp. 122-123.)

Let us watch the mechanism of distribution as we find it op at the present time. Redbertus's description of it is not very di from J. B. Say's, and it tallies pretty closely with the Clanical sel On the one hand we have the marpineer who purchases the service labour, land, and capital, and sells the product which results from collaboration. The prices which he pays for these services and price he himself receives from the consumer are determined by interaction of demand and supply. What remains after paying wag interest, and rent constitutes has profits.

The distribution of the product is effected through the mechanism of exchange, and the result of its operation is to secure to the owner of every productive service the approximate market value of that service. Could anything be juster? Apparently not. But if we examine the Social and economic hinterland behind this mechanism what we do find is the callous exploitation of the worker by every capitalist and landlord. The various commodities which are distributed among the different beneficiance are really the products of labour. They an begotten of effort and toil-largely mechanical. Rodbertus did not under-value intellectual work or under-estimate the importance of directive energy. But intelligent effort seemed to him an almost inexhausible force, and its employment should cost nothing, just at the forces of nature may be got for nothing. Only manual labour implies loss of time and energy—the sacrifice of something that cannot be replaced. Consequently he does not recognize the intellectual or moral effort (the name is immaterial) involved in the postponement of consumption, whereby a present good is withheld with a view to Contributing to the sum total of future good. And he proceeds to define and to develop the opening paragraph of Smith's Walls Nation: "The annual labour of every nation is the fund white originally supplies it with all the necessaries and convenience of life which it annually consumes, and which consist always either in the

<sup>\*\*</sup> Agent, Pp. 150-160.

GC & Exchanging pp. 7-10. "Every economic good consistour and only labour."

the shirt state of the construction of the co In the third of the Social Briefs be approved his dead of a slightly different form; All one or one of the action irray of expresses this idea in a slightly different some:

or of the same thought by desires, the state of the same thought by desires, the same thought by the same thought common group are the product of labour "(Schyllen, Vol. II, pp. 109-105). Levels ing the same thought, he declares that this formula means: (1) that "only those good which have insufficient to the same than the s which have involved tabour should figure in the Category of recogning of the category of recogning of the category of recogning only." of any other forms have been been a second four in the category of economic grown or of any other forms have been found for the category of economic grown or of any other forms have been found for the category of economic grown or of any other forms. or any other force, but simply as the product of labous" (3) that "good named as the product of sally remarked. and any outer torce, out sumply as the product of labour", (1) that "goods recon-cially considered for just the product of labour, carried out by means of the name operations which are any consideres are just the product of labour, earlied out by means of the man-portations which are necessary for production." The work of industrial direction and its remanantion are researched in the control of industrial direction. We find the control of th vacuum vancu are necessary for production." The work of industrial united in fermioneration are regarded in the same light. Qf. Schafen, Vol. II, p

of On this point see Rist's to Capital previously assignment to Traval' in the Row & Economis politique, February 1906.

immediate produce of that labour or in what is purchased with that produce from other nations."

The difference between his attitude and Marx's is also interesting. Marx was thoroughly well yersed in political economy, and had made a special study of the English socialists. His one object was to set up a new theory of exchange, with labour as the source of all value. Rodbertus, who drew his inspiration from the Saint-Simonians, focused attention upon production, and treated labour as the real source of every product-a simpler, a truer, but a still incomplete proposition. Rodbertus never definitely commits himself to saving that labour by itself creates value, but, on the other hand, he never denies it.1 Social progress, he always maintained, must consist in the greater degree of coincidence between the value of a product and the quantity of labour contained in it. But this is a task which the future must take in hand.3 Again, if it be true that the worker creates the product, but that the proprietors of the soil and the capitalists who have had no share in its production are able to manipulate exchange in such a way as to retain a portion of it for themselves, it is clear that our judgment concerning the equity of the present system needs some revision. This secret embezzlement for the profit of the non-worker and to the injury of the diligent proceeds without any outward display of violence through the free play of exchange operating within a system of private property. <sup>1</sup> Rodbertus expressly declares that to say that goods are the product of labour is

not to imply that the value of the product is always requal to what it cont in the way of thour, or, in other words, that the blacur gent on the other sub-super measure its value (540/16x, Vel. II, pp. 164, 169). A similar statement is made in the Furdampur (1937). In the Zee Facensain (1844) [19, 19-19-19) be previous for the resource of the resou

<sup>3</sup> "The concidence between the value of the products and the quantity of labour involved in their production is simply the most ambitious ideal that economics has

ever formulated." (Second Sozial Brief.)

Occasionally Roberton admin for the sake of hypothesis or demonstration that priors do connects and the bloom cost; but his exercutal theory has no need of any such hypothesis, and it washing equite an auxiliary or subordanate role. It is in the course of his expension and the same of the expension of the course of his expension and expension of the course of his expension and expension and expension of the course of his expension of the product, and the course of the course of his expension of the product, is equal to its labour value." (Third Squar high, Roberton Val. 11, p. 101.)

Its sole cause lies in the present social system, "which recogn claim of private landowners and capitalists to a share of the distributed, although they have contributed nothing towar

Hence his exposition of the twofold aspect of distribution. Econ cally exchange attributes to each of the factors land, capital, labour a portion of the produce corresponding to the value of h respective services as estimated in the market. Socially it often me taking away from the real producers-from the workers-a part the goods which their toil has created. This portion Rodbertus refe to under the simple name "rent," which includes both the revenue or capitalists and the income of landlords.

No economist ever put the twofold aspect of the problem in a clearer light. Laying hold of the eternal opposition between the respective standpoints, he emphasizes the difficulties which they present to so many minds. Justice would relate distribution to merit, but society is indifferent provided its own needs are satisfied. Society simply tale account of the market value of these products and services without ever showing the least concern for their origin or the efforts which they may originally have involved—the weary day of the indus Libourer and the effortless lounge of the lazy capitalist being sim tewarded. Rodbertus's great merit was to separate this truth fron other issues so frequently confused with it in the writings of the ea economists and to bring it clearly before the notice of his fel-

Rodbertus's criticism did not end there, although the demonsts tion which we have just given of the distinction between the social an the purely economic point of approach to distribution constitute it essential merit. We must not omit the practical conclusions which he draws from it.

What concerned Rodbertus most—at least, so we imagine from the standpoint which he adopted was not the particular way in which the rate of wages or interest, high or low rents, are determined, but the proportion of the revenue that goes to the workers and pon-workers respectively. The former question is a purely economic one of quiv recordary importance compared with this other social profess Believing that he had already shown the possibility of the workers levil rolled, the prollem now was to determine whether this spollston was Liefy to continue. Dara economic progress give any ground for bequel that tent or one-arred occurse will gradually disappear? Busint and Curry had replied in the affirmative. The proportion that gors to

capital, so they affirmed, is gradually becoming less, to the great advantage of the labourer. Ricardo, faced with the same dilemma, had come to the conclusion that with the inevitable increase in the cost of producing food the landowner's share must be constantly growing. Say had asked himself the same question in the earliest edition of his treatise, but had found no reply. Rodbertus adopts none of their solutions, but independently arrives at the conclusion that the worker's share gradually dwindles, to the advantage of the other participants.1

Theorist as he was, a simple deduction was all that was needed to convince him of the truth of this view The rate of wages, we have already seen, is determined by the interaction of demand and supply in the labour market. The market price of labour, however, like that of any other product, is always gravitating towards a normal valuethis normal value being none other than Ricardo's necessary wage. "The share of the product that falls to the lot of the producer both in an individual instance and as a general rule is not measured by the amount which he himself has produced, but by that quantity which is sufficient for the upkeep of his strength and the upbringing of his children."2 This celebrated 'brazen law' became the nivot of Lassalle's

propaganda, although it was never definitely recognized by Marx. Granting the existence of such a law, and admitting also that the amount produced by labour is always increasing, so that the mass of commodities produced always keeps growing, a very simple arithmetical calculation suffices to show that the total quantity obtained by the workers always remains the same, representing a diminished

fraction of the growing totality. A similar demonstration affords a clue to the prevalence of crises. The entrepreneur keeps adding to the mass of commodities produced until he touches the full canacity of social demand.\* But while production grows and expands the worker's share dwindles, and thus his

<sup>&</sup>quot;Whenever exchange is allowed to take its own course in the matter of distributing the national dividend, certain circumstances connected with the development of society and with the growing productivity of social labour cause the wages of the working classes to diminush so as to constitute a decreasing fraction of the national product," (Second Social Brief, Schrylen, Vol. II, p. 37)

Frental, P. 153

The idea that enterpressure base their production upon the demand of the higher claurs is a somewhat novel one, but it is quite definitely stated by Rodbertus. "The clases can only influence the market in proportion to the quantity of the social product which is given them. But the interpresent front determine the quantities which they will produce, according to the size of their demands." (Kepital, pp. 51-52 Q. also pp. 170-171.) It is quite obvious, on the contrary, that the sampraners base their production solely upon the demand for the particular goods which they manufacture, and that they are quite indifferent to the share which goes to the higher



capital's share.3 but this has not prevented the workers from sharing in the general growth of prosperity. Nor is there any reason why at another time the workers' share should not increase, even without any improvement in their absolute remuneration.

Logically enough, Rodbertus proceeds to draw certain practical conclusions, including the necessity for the suppression of private property and of individual production. The community should be the sole owner of the means of production. Uncarned income must go. Every one should contribute something to the national dividend, and each should share in the total produce in proportion to his labour. The value of all commodities will depend upon the amount of time spent on them and effort put into them; and since the supply will always adapt itself to the needs of society the measure will be constant and exact, and equal distribution will be assured

But Rodbertus recoils from his own solution, and the ardent socialist becomes a simple State Socialist. What frightens him is not the terrible tyranny of a system under which production and even consumption would be strictly regulated. "There would be as much personal freedom under a system of this kind as in any other form of society," he remarks,1 'society' evidently always implying some measure of restraint. His apprehension was of a different kind. He had a perfect horror of any revolutionary change, and stood aghast at the lack of education displayed by the masses. He realized how unwilling they were to sacrifice even a part of their wages in order to enable other men to have the necessary leisure to pursue the study of the arts and sciences the noblest fruits of civilization. Finally, it seemed to him that illegal appropriation and the rightful ownership which results from vigorous toil are too often confused by being indiscriminately spoken of as private property. "There is," says he, "so much that is right mixed up with what is wrong that one goads the lawful owner into revolt in trying to lay hold of the unlawful possessor."

the American metal-workers' share in the product fell from 71 to 68 per cent between the years 1890 and 1905, while capital's share increased from 28 to 32 per cent. The men's wage during the same period rose from 53; dollars to 656, while the rate of interest fell from 9 to 8 per cent. Despite this diminution in labour's share of the total product it is impossible to say whether the remuneration of labour in general is moving upward or downward, for the working classes do not depend solely upon the wages of their labour. Some of them have a little capital—a very small amount, perhaps, but there is no reason for thinking that it will not grow in future.

It is quite clear that this complicated question must be carefully defined. Three different factors must be distinguished: (1) The individual's wage; (2) labour's share wherent factor must be distinguished: (1) The individual's wage; (2) most a summin the product; in the course of the working class. On this problem see Edwin Cannasis article in the Quantity Journal of Economist; 1905, and his statements in his level of Production and Distribution, 1776-1848. 1 Kepital, p 176.

<sup>2</sup> E

Some kind of compromise should at all costs be effected. If property—one of the great evils of the present day—cannot be of without some inconvenience, cannot we possibly dispense freed of contract, the other source of inequality. Let us a client of private property. By doing this, although we are not in some of the greatest inconveniences that result from it. We should be a contract while retaining the insome of the greatest inconveniences that result from it. We should be a contract the downward trend of labour's remuneration, and poverty at Such an atternot might be a contract to the downward trend of labour's remuneration, and poverty at

Such an attempt might be made even now. Let the State estimate total value of the social product in terms of labour and determine the fraction that should go to the workers of labour and determine the fraction that should go to the workers be might be cach and be a might be caused by the control of the co

difficulties. We were led to mention it for a double reason. In the first place, it is interesting as an attempt to effect a compromise between the society of the present and the collectivem of the future. Marx regards the growing servility of the worker with a certain

i. "And so I believe that just as history is nothing but a series of compromise, the first problem that savide economic screece at this present moment is that self-economic screece at the present moment is that self-economic between labors, explain, and property," leading the problem is as belog us of Sprember 18, 39cc, capital, and property, "so the but to Sprember 18, 39cc, capital, and property," which is biased upon private property as peaceful evolution from our present private order which must expect private probability as a peaceful evolution from our present private order which must execute it not per un land and the superior social to select a superior social to select a superior social selection of the superior social selection aspects of social bile, at if it were already on the plant of somiting in social selection of social selection of the selection of selection of the selection of selection of selection of the selection of selection of

<sup>&</sup>quot;Cf. Gental, PP 109 et se, and especially his article Dr. Normalisheitse, which pp 109 and was republished in Brofe a. Sociologische Agricus, which has been supported in the second property of the phare in his determining which has been supported by the property of the phare in his determination of product as far pharmatic from the proceedings of the phare in his determination of product as far pharmatic from the pharmatic pharmatic pharmatic in the pharmatic ph

measure of equanimity as a necessary preliminary to his final emancipaton. Rothertus would speed the process of amelioration and would better his lot here and now.\(^1\) It also throws an interesting light upon his extraordinary confidence in the all-powerful sovereignty of the State, and the ability of government to bend every individual will, even the most recalcitrant, to the general will. At the same time it reveals his utter indifference to individual liberty as an economic motive.

This indifference gradually merges into extreme hostility, while his confidence in the centralized executive becomes all the more thoroughly established. His later-historical works contain an exposition of an organic theory of the State which is meant to justify such confidence, Just as in the animal world the higher animals are found to possess the most highly differentiated organs as well as the most closely co-ordinated, so in history as we pass from the lower social strata to the higher once.

the State advances both in magnitude and efficiency; and its action, while increasing in scope, grows in intensty a well. The State in its passage from one evolutionary stage to another presents us not merely with a greater degree of complexity, each function being to a greater and greater extent discharged by some special organ, but also with an increasing degree of harmony. The social organisms, depite their ever-increasing variation, are placed in growing organ, in other words, the particular grade that a social organism occupies in the organic hierarchy depends upon the degree to which division of labour and centralization have been carried.<sup>1</sup>

We are thus driven back upon the fundamental question set by Roohertus at the outset of his inquiry: Can the various social functions, acting spontaneously, efficiently further the good of the social body, or should these functions be discharged by the mechation of a special organ, the State, or Government? There is also the further question as to whether the reply which he view is entirely satisfactory.

We are immediately struck by a preliminary contradiction: the common boundaries of the community do not coincide with its political boundaries. The one is the result of division of labour and is coextensive with the lumits set by division of labour, while the second is the product of the changing conditions of history. It is only logical that the economic functions of the State should be performed by other organs than those of the political Covernment, since its sphere of eaction is necessarily different. But it is to the State, as evolved in the

<sup>&</sup>lt;sup>1</sup> G. Kapitol, p. 188, note.
<sup>2</sup> Circhithis der röminchen Tributsteur, in Johnbücher für Nanosalokonomie u. Statistik, Vol. VIII. pp. 445–427. note.

course of a long historical process, that Rodbertus would en directing power. Between Rodbertus's description of the economic activity and his final recourse to a national mona State is an element of contradiction which strikes us rather for especially when he comes to speak of "national" socialism. In order to demonstrate how inadequately the present a organization performs its duties, Rodbertus appeals to an ideal me of discharging them which he himself has created, and he has no slightest difficulty in showing that hardly any of his ideal functions. being performed at the present time. Production is not based up social need, nor is the wealth produced distributed in accordance with the labour spent. But we must never forget that Rodbertin's concertion of the social need was extremely arbitrary. His distribution formula, "to every one according as he produce," if applied logically is improssible, and satusfies neither the demands of humanity not the needs of production. Had his definition of social function been keep ambitious, his argument, perhaps, would have been more convincing Let us admit, however, that the evittence of an economic world implies the successful accomplishment of certain functions which we need not trouble to define just now. The question then stier . question that implies the severest criticism of the present organization Can the control and oversight which men ought to exercise over the functions be Jerformed otherwise than through the intrimentality of the States There was only one alternative for Rollectins exterior individualism or State control. But nature and history both evape the dicrima. The hodiqueal analogy has been carried too fir, and most writers would be content to abstration at altogether. Life most of his contemporaries, Resiliertias imagined that economic individualism and present there were individually based orgetter, and that is an

impossible to check advolution without endoncering betty. He is negligible to check advolution without endoncering bleety. He is responsible for the process, that the section of the to, the many norther accurate to the great and the great density normal necessaries to be the first terms in the section of the process of the great density normal way as now in a letter position to affect the third days the section process of the section profession of the section process of the section profession of the section profession of the section profession of the section of the section of the section of the section profession of the section of the section

sexid functions, and that the berakdown of individualism implied a need for greater centralization or a greater degree of State control. On the other hand, the State Socialist refuse to associate themselves with the radical consolimation of private property and unrained income, both of which are features of Rediterrula's tradition. The State Socialists set out to transform the Rediterrula reactioning. The a self-sufficie perturn, and intend of regarding their doctrine as a district form of a scialism they are rather inclined to treat socialism as an enagerizated development of their theory?

## 2. LAMALIE

Rotheriur's efforts to establish a doctrine of State Socialium upon the firm foundation of a new social theory had already met with a certain measure of success, but it was reserved for Lassalle to infuse Walshy into these new ideas.

Langile's brief but brilliant political career, ever memorable for the natural vigour of his elequence, at once popular and refined, and its indebble impression of a strikingly original nature affame with a passion both for thought and action, together with the romantic, dramatic character of his checkered existence, lent wonderful force to his utterances. In 1818, at the early age of twenty-three, he was a Maraian revolutionist. The revolutionary period was followed by a time of enforced inactivity, when he devoted himself almost exclusively to philosophical, legal, and literary pursuits. In 1862 the silence was at last broken by his re-entry into the political arena. The whole political life of Germany was at that moment convulsed by the halfhearted opposition which the Prunian Liberal party was offening to Exmarch's constitutional changes. Lassalle declared war both upon the Government and upon the bourgeois Opposition-upon the latter more than the former, perhaps. Turning to the working classes, he urged them to form a new party which would avoid all purely political questions and to concentrate upon their own economic emancipation. For two eventful years the whole of Germany resounded with his speeches and his declamations before various tribunals, while the country was flooded with his pamphlets advocating the complete establishment of the Allgemeiner deutscher Arbeiterverein (General Association of German Workers) which he had already founded at Leinzig in 1863. The workers of the Rhineland received with open arms the agitator who thus took up in their midst the tangled skein of a broken

1 "Entreme socialism," says Wagner, "is simply an exaggeration of that partial socialism which has long been a feature of the economic and social evolution of all nations, especially the most civilized." (Grandlegos, 3rd ed., p. 756.)

career, and welcomed him with songs and decked him with garland The Liberal Press, on the other hand, thoroughly taken aback by hi unexpected onflaughts, mercilesily attacked him, even accusing him of having secret dealings with the Government. Suddenly the clamour ceased: Lazalle died on August 31, 1864, as the result of a wound which he had received in a duel, and only the Destuder Artesianens, the carliest embryo of the great German Social Democratic party, remained

as a memento of those violent attacks upon individualist Liberalism. As far as theory goes, Lassalle's socialism is hardly distinguishable from Marx's. Social evolution is summed up in a stricter limitation of the rights of private property, which in the course of a century  $\alpha$ two must result in its total disappearance.\* But Laussile was preeminently a man of action, bent upon practical results. At that particular moment the German working class was only just water up to the possibility of political existence. The path that it sh follow was still undecided. In the year 1863 a number of work had tried to permade their comrades to meet together in a kind general congress. They further appealed to Lauxille and to oil well-known democrats for their advice concerning the labour queno This gave Landle the opportunity he required for forming a politic party of his own, with himself as chief. The next question was to fe upon a programme. "Working men," says Lassalle, "must have Something definite, "s and, on the other hand, "it is almost impossible to get the public to understand the final object which we must keep in view." So, without burdening his propaganda with too remote an ideal, he concentrates all his efforts upon two demands, the one political, the other economic—universal suffrage on the one hand and the establishment of producers associations supported by the State on the other. In order to win over the master, he invoked, not the detrine of the exploitation of the workers by the proprietors—which would have alienated the middle classes from him but the braten

I Groupe Meredish to his Trape Complians secure his story round this trape failure. In June 1, 197 here, from the all descriptions as an enterpression server his story round this trace according to the description of Landber psychology. Of also Landb, by here, giving us an admirable study of Lansille's payone Courses Branche, and Onchen's Lansille (Stuttgart, 1904). This Democracy on Deep ages, Vol. 1, P. 774 note (Paris, 1994).

Short's and Establishing p. 46 Berlin, 1970.

Product day was des den 11.6 and not not seen (Ind. p. 46). "Francis fary near dat den Mild beel meh mild stepen" [Ball, p. 45.]
"No worksham mil erre f.ger dast property absencer legally sequend a simulation of the contract of the co harty survalues will ever keppe that property whenever begalf acquires to me on Aved 1 - 15% and - 15 - 15 is in an address delicered to the waters of Brita. one; personned and pas, app he in an address delivered to the business as more passes. I filed, and published under the Life of delaterparams (Lifes V.I.) p. 1977. Elembers has preciously under the Lite of Attentypersons (haryon has been be clearly be clearly against the charge of strong the products). p age to the second property of detects himself agency the change of section the property of section to the second property of second property of section to the second section to the section to the second section to the section to the second section to the section or removed was no against some of a parely democratic character, and movements the factor of classes (that, Vol. 11, pp. 196-197). (One operators we take the property of the parely of structure to beauty of classes (start, V.d. II, pp. 185-137). (Our greatures are re-from Plar's actions. He were smaller to obtain the best refrom of Lander's work. Published by Bernaue)

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law of wages,' which is the happy title by which he chose to designate the Ricardian law of wages.

Rodbertus realized the necessity for distinguishing between an esoteric and an exoteric Lassalle-between the logical theorist of the study and the opportunist politician of the public platform. Only to his contemporaries was the latter Lassalle really known. But his letters, which have been published since his death, go to show that there is at least no need to attach any greater importance to his proposed reforms than he was prepared to give them himself. It is not necessary to emphasize the fact that his plan was really borrowed from Louis Blanc or to call attention to the letter written to Rodbertus in which he declares himself quite prepared to change his plan provided a better one can be found. This idea of association was one that was by no means unknown to the German Liberal party; nor was it the first time that it had been preached to the working classes Lassalle's rival, Schulze-Delitzsch, had begun an active campaign even as far back as 1840, and had succeeded in establishing a great number of co-operative credit societies, composed largely of artisans, and aiming at supplying them with cheap raw materials. But such associations were to receive no support from the Government.

were to receive no support from the Government.
What was new in Lassalle's scheme was just thus appeal for State
intervention. It was his energetic protest against eternal laisus-faur
that impressed public opinion, and he himself was amotous that it
should be presented in this light. Speaking to the workers of Prankfort
on May 19, 1863, he declared that "State intervention is the one
question of principle involved in this empaign. That is the consideration that has weighed with me, and there lies the whole issue of the
battle which I am about to weach."

Wapper's introduction to Brife not Lansile as Rollwan, p. 5. Lansile has himself defined this occurs has Machinevillan antibode in a sletter written to Mira in 1859, in which he speaks of a drama which he had just written dealing with Frean workstern. "Ill tools his the timingh of dreperior resistate shalling when the leader of a front better of the state of the stat

Schijka, Vol. II, p. 39. This address has been published under the title of intentiarished. This is just the attitude of which Mart dangeroved. In a letter written to Schwestzer on October 13, 1950, quoted by Mehring (data den Internition Vasklas, exc., Vol. 17, p. 1951), he prevens himself as follower: 'He is to for inlike to be influenced by the immediate circumstances of the moment. He exaggrates the writed difference between himself and a momenty like Schuler-Delitisch, until the inter between them, governmental intervention as against private initiative, become the central place of this arrantion."

He harks back to this fundamental idea in all his principal writing It was the theme of his first address delivered to the workers in Ball in 1862. It is there presented with all his customary force. The bourgeois conception of the State is contrasted with the true conception, which is identical with the workers. The bourgeoiste seem to think that the State has nothing to do except to protect the property and defend the liberties of the individual—a conception of Suite action that would be quite sufficient were everybody equally strong and intelligent, equally cultured and equally rich. But where such equality does not exist the State is reduced to the position of a 'night watchman, and the weak at left at the mercy of the strong. In reality the State exists for quite other purposes. The history of mankind is the story of one long struggle to establish liberty in the face of natur forces, to overcome oppression of every kind, and to triumph over the misery, ignorance, want, and weakness with which human nature has always had to reckon. In that struggle the individual, in his solution, is hopeless and union becomes indispensable. This union is a creation of the State, and its object as to realize the dentity of markind, namely, the attainment of the highest degree of culture of which humanly is Capable. It is a means of educating and of furthering the development of humanity along the path of liberty. The formula savours of metaphysics rather than of economics

There is a striking simularity between it and the formula employed by Hegel, the philosopher. Lassalle was really a disciple of Hegel and Fichite. Through the influence of Lissalle the theories of the Germa

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<sup>2</sup> de ser, van i. p. 213. Ser, atmos outer, the chapter enailed Herd et la Thirty & Phat in Lary Brokh. Latinage depart Lesking, especially p. 196 (Para, 1821). The State, according to 196 (Para, 1821). The State, according to 196 (Para, 1821). The State, according to 196 (Para, 1821). A manager separ Leavil, especially P. 398 [Farm, 1593]. The Mass, accommon above assure september of the special realizing study in the conserver of the world steps, as a Expression of the Mine spent without the conserver or to ----4 farm in locality. God manual in the world has made the fitte punity. In Sundation is not the major of reason realising stick and the State posters of the one of is not merely as on unique as reason remarked that in wal. It is necessary to coma non-morroy as a First I Islate or a particular institution, but of its encode or non-morrow of the mond of load Lvry State, of whatever him it may be made as a standard of the standard of Persons of the distance name for full information concerning the philapples! presents to the survey frence for his supermitten tone training on program of this Sections are Austr's Le Sections of East and Allanger (1877). Your in view due team we desire; to Sentime of the a disease (107).

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idealists came into conflict with the economists', and his incomparable eloquence contributed not a little to the rising tide of indignation with which the Manchester ideas came to be regarded.

## III: STATE SOCIALISM-PROPERLY SO CALLED

The years that clapsed between the death of Lassalle and the Congress of Eisenach (1872) proved to be the decisive period in the formation of German State Socialism.

Biomarch's remarkable coupt d'tota in 1866 and 1870 had done much to discredit the political reputation of the leaders of the Laberal party, who had shown themselves less than a match for the Chancellor's political might. This reacted somewhat upon economic Laberalism, because it is a lappened that the leader of both parties were the same. On the other hand, the idea of a rejuvenated empire incarnate in the non-Chancellor seemed to add fresh lustre to the whole conception of the State. The Jahrburker für Nationalistensmin, first issued by the Historical school in 1863, had by this time become the recognized organ of the University Economists, and had done a great deal to accustom men's minds to the relative character of the principles of political economy and to prepare their thoughts for an entirely new point of view.

Labour questions had also suddenly assumed an importance quite

for it is unjust that one individual should be able to buy luxures while his fellow eitzens have not enough to procure the necessaries of life. The money with which the former purchases his luxuries would in a rational State not be his at all." Adopting this as his guiding principle, Fichte proposes to organize a State in which the members of every profession, agriculturists, artisans, merchants, etc., would make a collective contract with one smother, in which they would promise not to encroach upon one another's labour, but would guarantee to every one a sufficient number of the goods which each has made for his own use. The State would also undertake to see that the number of persons in every profession was neither too few nor too many. It would also fix the price of goods. Lastly, in view of the fact that foreign trade would naturally upset the equilibrium established by the contract which guaranteed security of existence to each individual, the commercial State would have to be testirely hemmed in by tariff walls. The whole work is original and interesting.

A. Menger, who gives a brief resume of it in his second chapter of The Right to the Whole Produce of Labour, thinks that Fichte was influenced by what he saw of the Convention during the Reign of Terror, by the issue of assignats, and perhaps by Babeuf Fichte, on the other hand, takes care to point out that his commercial State is not realizable as such, but that a book like his is not less useful in view of the general hints which it affords a statesman.

It is remarkable that the majority of the commercial and financial measures introduced in Germany between 1866 and 1875, such as a uniform system of weights and measures, the reform of the monetary system, banks, the tariffs, etc., were directly inspired by the principles of economic Laberalum.

undreamt of before this. The German revolution of 1848 was sumably political in character: the great capitalistic industry had reached that stage of development which characterized it bob England and in France; and it is a significant fact that the two pro-German socialists, Rodbertus and Marx, had to go abroad to eithe of those two countries to get their illustrations. But since 1848 German on autore two countries to get their mustrations. But since to to version industry had made great strides. A new working class community had come into being, and Laualle had further emphasized this traformation by seeking to found a party exclusively upon this new soil stratum. The association which was thus founded still surviva Another agitation, largely inspired by Marxian ideas, was begun about the same time by Liebknecht and Bebel. In 1867 both of them 1 elected to the Reichatag, and two years later they founded the &e demokratische dibnilopariei (Social Democratic party), which s destined to play such an important part in the history of the next thir

In this way labour questions suddenly attracted attention, just a they had previously done in France during the July Monarchy and Just as in France a new current of opinion—unceremoniously set said: by the coup d'état, it is true—had urged upon the educated clases the importance of abandoning the doctrine of absolute laittee fair and of claiming the support of Government in the struggle with poverty, 20 in Germany an increasing number of authors had persuaded them selves that a purely passive attitude in face of the serious nature of social problem which confronted them was impossible, and that t catablishment of some sort of compact between the warring forces Capital and labour should not prove too much of an undertaking fo the rejuvenated vitality of a new empire.

The new tendencies revealed themselves in unmisukable fusion at Eisenach in 1872. A conference, which was largely composed of professors and economists, of administrators and jurist, decided upon the publication of a striking transfers in which they declared we Upon the Manchester school. The manifeno spoke of the State as great moral institution for the education of humanity," and chime has it should be "animated by a high moral ideal," which would "enable an increasing number of people to participate in the higher benefits of civilization."

At the same time the members of the covered determined upon the establishment of the Foris for Societablish, speciation charged with the task of procuring the necessary science. naterial for this new political development. This was the legicing A copy of the test translated into French by Supplier appeared as the Low

of the "Socialism of the Chair," as it was derisively named by the Liberals on account of the great number of professors who took part in this conference. The same doctrine, with a somewhat more radical bias, became known as State Socialism. The imparting of such a bias was the task undertaken by Wagner, in his Grandlegung, which appeared in 1836.

Difficult though the task may prove, we must try to distinguish between the work of the earlier economists and the special contributions made by the State Socialists. Like all doctrines that purport to sum up the aspirations of a group or an epoch and to supply a working agreement between principles in themselves irreconcibile, it lacks the definiteness of a purely individualistic or theoretical system. Its idea are borrowed from various sources, but it is not always scrupulous in recognizing this.

It is first and foremost a reaction, not against the fundamental ideas of the English Classical school, as is generally believed, but against the eaggerations of their second-grade disciples, the admirers of Bastiat and Cobdem—known to us as the "Optimists" and styled the "Mann-testians" in Germany. The manifetto, drawn up by Profesor Schmoller at the Eisenach Congress, speaks of the "Manchester school," but make no mention of the Classical writers. It is true that a great many German writers regard the expressions "Smithianismus" and "Manchesterthum" as synonymous, but these are perhaps Delemical exaggrations upon which we ought not to lay too much tress. On the other hand, Liberalism had nowhere assumed such cartravaguat proportions as it had in Germany. Prince Smith, who is the best-known representative of Liberalism after Dunoyer, was convinced that the State had politing to do beyond guaranteeing security, when the state had politing to do beyond guaranteeing security.

<sup>&</sup>lt;sup>1</sup>In addition to Wagner we might mention Albert Schaeffle, who has shown considerable literary activity, but who is more of a sociologist than an economist. His Strat work, Ben and Laber des nexuelle Körpers (1875-78), contains an organic and biological theory of society, but his best-known book is the Quintussee des Sociolismus.

Wagner's principal works, which centain as exposition both of the lefest and programme of State Socialism, are Grediffung (set ed. 1969), treadstated into Pereich in 1900 under the till Friedment for 15 Chomous phingup; Francastinestoffe, lik article in 1900 under the till Friedment for 15 Chomous phingup; Francastinestoffe, lik article article francaster friedments for 15 Chomous for 15 Chomo

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State is not very different from Social's, though differing considerably from Bastisk,
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voluntary associations acting for the community either curront undertake or cannot
perform as well or acheply," ("Gondberge, sg. etc.), 1935, 11 part, p. 1951.

and denied that there was any element of solidarity between econom acrois save such as smalls from the evidence of a common mark "The economic community, as such, is a community built upon the Contract of a market, and it has no facility to offer other than fer access to a market."

The State Socialists, on the contrary, are of opinion that there exist a moral solutarity which is much more fundamental than any economic he between the various individuals and claters of the same nationsuch solidarity as results from the postersion of a common language. similar manners, and a uniform political constitution. The State the organ of this moral solidarity, and because of this title it has right to remain indifferent to the material poverty of a part of a nation. It has something to do besides protecting people sgale internal or external voolence. It has a real work of "civilization ax well-being "s which it ought to perform. In this way State Socialism becomes reconciled to the philosophic standpoint which Lawille had chosen for it. Landle's insistence upon the mission of Government and the importance of their historic role has been incorporated into its system, and the attention that is paid to national consideration reminds one of the teaching of Friedrich List.

It is impossible not to ask whether the State is capable of carrying out the duties that have been entruted to it. There is little use emphasizing duty where there is no capacity for discharging it. It State's incapacity as an economic agent has long been a notoriou act. Wagner and his friends were particularly anxious to correct his false impression, and as far as their doctrine contains anything iginal it may most conveniently be described as an attempt to rebilitate the State. Optimits of Busiat's genre looked upon the tte as the very incarnation of incapacity. The State Socialist, on other hand, regard government as an economic agent very similar Other agents which the community employs, only a little more sympathetic, perhaps. Much of their argument consists of an attem to create a presumption in favour of government as against the ordinarily accepted opinion which individualism had begotten. See was the nature of the task which they undertook.

Their first action was to insist upon the weaknesses of individuals Following in the wake of Simondi and other socialists, they empha-

<sup>1.</sup> Liberalum only recognizes one task which the State can perform samely, by "Autoration only recognizes one task which the State can perform, nanory, —
3rd ed., Vol. J. P. 6.1. "To Quoted by Schönberg, Handland or Politacion Olderma,
one Fredendl and Handel-Sealers, a taken from Rentanch's decionary, areals on Freedomes and transcripteson.)

2 "Kultur und Wohlfahrtsweck" (Wagner, Grandispass, p. 885.)

sized the social inconveniences of competition, which is, however, generally confused with individual liberty.1 They also insisted upon the social inequality of masters and workers when it comes to a question of wage-bargaining-a fact that had already been noted by Adam Smith-as well as upon the universal opposition that exists between the weak and the strong. The inadequacy of merely individual effort to satisfy certain collective wants is another fact that was considerably emphasized.

As far back as the year 1856 Dupont-White, a Frenchman, had complained bitterly that all the paths of civilization remained closed merely because of the existence of one obstacle-the infirmity and malignity of the individual.\* He also attempted to show how the collective interests of modern society are becoming increasingly complex in character and of such magnitude as to be utterly beyond the compass of individual thought. "There are," says he in that excellent formula in which he summarizes the instances in which State intervention may be necessary.

certain vital things which the individual can never do, either because he has not the necessary strength to perform them or because the yould not pay him; or, again, because they require the co-operation of everybody, which can never be got merely by common consent. The State is the one person—the entrepreneur— who can undertake such tasks.

## But his words went unheeded.

Writing in a similar vein, Wagner invokes the testimony of history in support of his State doctrine, showing us how the State's functions vary from one period to another, so that one never feels certain about prescribing limits to its action. Individual interest, private charity, and the State have always had to divide the field of activity between them. Never has the first of these, taken by itself, proved sufficient, and in all the great modern states its place is taken by State action To conclude that this solution was useful and necessary and in accordance with the true law of historical development only involved one further step. One almost unconsciously proceeds from the mere statement of a fact to the definite formulation of a law. "Anyone," says Wagner,

Wagner, Grandlegung, 3rd ed , pp. 811 et seq, 839 et seq. The State Socialists have a habit of wrongfully using the two expressions 'free competition' and 'economic liberty' as if they were synonymous terms. See Grandlegung, p. 97.

Dupont-White, L'Individu et l'État, 5th ed , p. 9. \* Ibid., p 267.

Preface to the French translation of Stuart Mill's Liberty. Wagner, Guadlegung, grd ed., pp. 892 et seq.

who has appreciated the immanent tendencies of evolution (i.e., t who has appreciated the unmanent tendencies of evolution two-essential features of economic, social, or political evolution) ma-very property proceed from such a histonical conception of social constitution of the featurable of control of social configurations of the configuration of control of the configuration of the configuration of control of the configuration of the conf evolution to the formulation of postulates relative to what ought to

In virtue of this conception there is a demand for the extension of the State's functions, which may easily be justified on the ground of in State's functions, which may carry or justified on the ground capacity for furthering the well-being and civilization of the community. The influence of Rodbertur's thought, especially his theory concerning the development of governmental organs to meet the needs of a higher social development, i a quite unmistakable in this conner.

The similarity between his views and those of Dupont-Wh though entirely fortuitous, perhaps, is sufficiently remarkable to just our calling attention to it. White is equally emphatic in his densa that the State should exercise charity and act beneficently. \* He show how the modern State has extended its dominion, substituting loa government for class dominion and parental despottan, taking women, children, and slaves successively under its care, and adding to its duties and responsibilities in proportion as civilization grows and liberty broadens downward. Fresh life requires more organ, ner forces demand new regulations. But the ruler and the organ of society is the State. 4 In a moment of enthusiam he even goes so far at to declare that "the State is simply man minus his passions; man at not a stage of development that he can commune even with truth iself, fearing neither God nor his own conscience. However imperfect may be, the State is still vastly superior to the individual." Suc. writing is not without a touch of mysticism.

Without going to the extent of admitting, as M. Wagner would have us do, that the simple demonstration of the truth of historical evolution is enough to justify his policy, we must commend state Socialism for the service it has performed in combating the Liberal contempt by government. If we admit the right of a central power to regulate occial relations, it is difficult to understand why certain economic relations only should be subjected to such supervision.

But the real difficulty, even when the principle is fully recognised. is to define the spheres that should respectively belong to the San and to the individual How far, within what limits, and according to what rules should the State intervene? We must at any rise, a Wagner 1373, begin with a rough distribution of attributes. It is in Possible to proceed by any other method unless we are to auton, a

L'Interte of First, p. 65

September of the State Continues, p. 100.

Disposit Nature Copied or Tennel, p. 357 (1847); L'Individue de L'Angle on the Copied of Tennel, p. 357 (1847); L'Individue de L'Angle on the Copied of the 4 Bad, pp. 165, 164

the collectivists seem to do, a radical change in human psychology resulting in the complete substitution of a solicitude for the public welfare for private interest.

Dupont-White thought the problem insoluble,1 and Wagner is equally emphatic about the impossibility of formulating an absolute rule. The statesman must decide each case on its merits. He does, however, lay down a few general rules. As a first general principle it is clear that the State can never completely usurp the place of the individual.2 It can only concern itself with the general conditions of his development. The personal activity of the individual must for ever remain the essential spring of economic progress. The principle is apparently the same as Stuart Mill's, but there is quite a marked difference between them. Mill wished to curtail individual effort as little as possible, Wagner to extend Government action as much as he could. Mill insists throughout upon the negative role of Government; Wagner emphasizes the positive side, and claims that it should help an ever-increasing proportion of the population to share in the benefits of civilization. No inconvenience, Wagner thinks, would result from a little more communism in our social life. "National economy should be transferred from the control of the individual to the control of the community in general," he writes, in a sentence that might have been borrowed directly from Rodbertus.\* Both he and Mill are agreed that the limit of Government action must be placed just at that point where it threatens to cramp individual development.

The practical application of these ideas would affect both the production and the distribution of wealth. But on this question State

<sup>&</sup>quot;No mean has a yet been suggested which will help to defunit the functions of the State from those of the individual. In that is not a consorderation of any great means, to we can always arrange matters as as to make them hainer results when it comes to a particular case." (\*\*Liffondied if Plate, pp. 09) and 091). Elsewhere (in his perface to the French translation of Mill' Libry) he gives the opinion that who a declination as impossible and that when we speck of the State and individual we speak of two datainer powers, such as life and faw (p. vu). Law has to disjoin we the footstored after, reproving its excessed and correcting its faults (p. sin).

Wagner, Grandlegung, p. 887.

<sup>&</sup>quot;Sale mergines is to be recommended wherever possible, "not only for specific reads in the properties of the recommended of certain industries highly desarable, but also for reasons of oxial policy, such as the devisability of beloping industry to peak from a regime of industrial ownership to that of communal control." (Financeusership and Statestickiness, to 11%).

Top-production to the process of the

In the matter of distribution it takes exactly the same studge as Simmodi. There is no condemnation either of profits or into a matter of principle, such as is the case with the Socialities, for there any succession of doing away with private property at fundamental institution of society; but there is the expension of desire for a more exact correspondence between income and distribution of profits as the economic conjuncture x allow of, and, on the other hand, for such an increase of wages as permit of a more humane existence. It is impossible to disquise i fact that all this sounds very vacue.

The State would thus undertake to see that distribution conform to the moral sentiment of each period. Taxation was to be empion as the instrument of such reforms. Dupont-White, in his Capid Tracail, which was written as early as the year 1847, had his sythe precise formula in which to describe these projects: "To key tax such as will strike the higher classes and to apply the yield to be and reward labour."

Wagner says just the same thing.

LUIST HE PULL IT FUT OF THE

Logically State Socialism must undertake two tasks which at closely connected with one another. In the first place it must rail the lower strata of the working classes at the expense of the higher classes, and in the second place it must put a check upon the cursive accumulation of wealth among certain strata of society or by certain members of the propertied classes.

In the matter of production State Socialism has simply been cortent to reproduce the list given by Mill, Chevalier, and Cournot of the cases in which there is no economic principle against the direct courie or management of an industrial enterprise by the State. Speaking generally, Wagner is of the opinion that the State should take upon

<sup>1</sup> Cf., for example, Schmoller's open letter to son Treitschle (1874-73), raniforing in his Politogue acade at Economy politogue (Paris, 1902). To the objection that the distribution of the politic of European monarch is conducted by this principle Schmoller region of "speaking of the average man," but that "the Hehenstellerns, when considered his librh, have no more than they deserve" (no. 92).

"Vegree room one man they despree" (p. 92).

Wagner room in the abstrary nature of his negretions. Theoretically let me this method of procedure a quite legitimate, but practically it is not as infinity for the object, in short, is to employ the principles of equity and for size of any and are by no means difficult to formulate, and to transmute those practical units yet allow entertaints, so as to put a check upon the arbitrary and excessive simulation of wealth in the hands of a few individuals, such as is the case under a regner of for competition." (Pransaguriants, plan Statustos/disinore, p. 719)

P. 398.

Fingerreissenschaft und Staatssozialismus, p. 718.

itelf the control of such industries as are of a particularly permanent or universal character, or such as require either uniform or specialized methods of control or are likely to become monopolies in the hands of private individuals. The same argument would apply to industries satisfying some general want, but in which it is almost impossible to determine the exact advantage which the consumer derives from them. The State administration of rivers, forests, roads, and canals, the nationalization of railways and banks, and the municipalization of water and gas, are justified on the same grounds

Such are the essential features of State Socialism, which bases its appeal, not on any precise criticism of property or of uncarned income, such as we are accustomed to get from the socialists, but entirely upon moral and national considerations. A juster distribution of wealth and a higher well-being for the working classes appear to be the only methods of maintaining that national unity of which the State is the representative. But it neither specifies the rules of justice nor indicates the limits of the ameliorative process. The fostering of collective effort affords another means of developing moral solidarity and of limiting purely selfish action; but the maintenance of private property and individual initiative seemed indispensable to the growth of production -a consideration which renders it inimical to collectivism. Its moral character explains the contrast between the precise nature of some of its positive demands and the somewhat vague character of its general principles, which may be applied to a greater or lesser extent according to individual preferences. It is impossible to deny the essentially subjective character of its criteria, and this affords some indication of the vigorous criticism offered by the economists, who are above all anxious for scientific exactitude, and the measure of enthusiasm with which it has been welcomed by all practical reformers. It forms a kind of crossroads where social Christianity, enlightened conservatism, progressive democracy, and opportunistic socialism all come together.

But its success was due much less to the value of its principles than to the peculiar nature of the political and economic evolution towards the end of the century. Its most conspicuous representative in Germany was Prince Bismarck, who was totally indifferent to any theory of State Socialism, and who preferred to justify his policy by an appeal to the principles of Christianity or the Prussian Landrecht.1 One of

<sup>&</sup>lt;sup>1</sup>The imperial message of November 17, 1881, announcing the celebrated series of Insurance Acts admits the necessity for a more marked policy of State intervention: "To lay hold of the ways and means whereby the working classes may best be helped is by no means an easy task, but it is one of the highest which a moral and Christian community can set its heart upon." Busnarck, in his speech of May 9, 1884, said: "I unhentatingly recognize the rights of labour, and so long as I occupy this place I

his great ambitions was to consolidate and cement the national un which he had succeeded in creating. A system of national insuran financed and controlled by the State appealed to him as the best wa of weaning the working classes from revolutionary socialism by givin them some positive proof of the sympathy of the Government in the shape of pecuniary interest in the welfare of the empire. In a some what similar fashion the French peasant became attached to the Revolution through the sale of national property. "I consider," my Bismarck, speaking of invalidity insurance,

that it is a tremendous gain for us to have 700,000 annuitants among the very people who think they have nothing to loss, have who sometimes wrongly imagine that they might gain someth by a change. These individuals would lose anything from 115 200 marks, which just keeps them above water. It is not mu perhaps, but it answers the purpose admirably, i

Such was the origin of those important laws dealing with sickness accidents, invalidity, and old age which received the imperial real between 1881 and 1889. But just because the Chancellor did not Consider that there was the same pecuniary advantage to be derived from labour laws in the narrow sense of the term—that it, in law regulating the duration of labour, Sunday rest, the impection of factories, etc.—he was less favourably inclined towards their extension. The personal predilection of the Emperor William II, as expressed in the amous decrees of February 4, 1890, was needed to give the Empire a new impetus in this direction.

Accordingly it was the intelligent conservatism of a Government almost absolute in its power, but possessed of no definitely social creed, that set about realizing a part of the programme of the State Socialist. In England and France and the other countries where political liberty is an established fact similar measures have been carried out at the express wish of an awakening democracy. The working classe are beginning to find out how to utilize for their own profit the large thate of government which they have recently secured. Progresse Caution, insurance, protective measures for workmen, more frequent intervention of Government with a view to determining the condition

shall uphold three. In so clong I base my plea, not upon socialam, but upon the Fromain Landrick. See u of are 19 of the exceed part of the Promise Randrick.

See u of are 19 of the second part of the Promise Landrick in the Company of the Promise Landrick and the Company of the Promise Landrick and the Company of the Company o (Terrusy 5 - 194) reads as follows. To such as have earther the means per de accountable of the second part of the Premius Language occurrance. Spectrumy of 1941 feats as belone. To such as have neither the means are not provided or that of their family, were skill be not brethead or that of their family, were skill be not been family. represents to earning their own involved or that of their Lendy, work man or Despite to their strength and capacity." Despite in greenst took, it did not

Speech delivered on March 18, 1833, quant by Bradnits, Bowerds Natural States 18, 1833, quant by Bradnits, Bowerds Natural States 18, 1835, quant by Bradnits, Bowerds Natural mach descive p. 141 (Jene, 1970).

of labour, are just the expressions of a tendency that operates independently of any preconceived plan.

The regulation of the relationship between masters and workmen gave to State Socialism a legislative bias. Governments and municipalities, not content with that, have long since extended their intervention to the domain of production, the new character of social life rather than any social theory being again the determining motive. Public works, such as canals, roads, railways, sea transport, and electric power have multiplied enormously in the course of the mnetcenth century, thanks to the existence of new productive forces. The demand for public services such as lighting and heating has increased because of the increasing concentration of population. Communal life keeps encroaching upon what was formerly an isolated, dispersive existence, and community of interest is extending its sway in village and borough as well as in the great city and the nation at large. Industry also is being gradually linked together, and the area of free competition is perforce becoming narrower. In the labour market, as well as in the produce and the money markets, concentration has taken the place of dispersion. Monopoly is everywhere. Collective enterprise, instead of being the exception, tends to be the rule, and public opinion is gradually being reconciled to the idea of seeing the State-the "collective being' par excellence-becoming in its turn industrial.

Under conditions such as these it was impossible that the doctrine of State Socialism should not influence public opinion.

State Socialism has the peculiar merit of being able to translate the confused aspirations of a new epoch in the history of politics and economics into practical maxims without arousing the suspicions of the public to the extent that socialism generally does. Legislators and public men generally have been supplied with the necessary arguments with which to defend the inauguration of that new policy upon which they had secretly set their hearts. A common ground of action is found for parties that are generally opposed to one another and for temperaments that are usually incompatible. That is the outstanding merit of a doctrine that seems eminently suitable for the attainment of tampible results.

And so, by a curious inversion of functions by no means exceptional in the history of thought, State Socialism in our century finds itself playing the part of its great adversary, the Liberal Optimism of the early century. "Thou hast conquered, O State Divine," as the Emperor Dulian axid of Christianity, might well be the words of Proudhon if he came back to this world. One of the outstanding merits of that earlier Liberalism, was the preparation it alforded for a policy of enfranchies-

ment or liberty, which was absolutely necessary for the developme of the industrial regime. And so it became the interpreter of the gre economic currents of the time. In pursuance of this exclusive tal a traces of its scientific origin disappeared, the elaboration of economic theory was neglected, and the habit of close reasoning so exentil to Systematic thinking was abandoned. In a somewhat similar maner State Socialism has become the creed of all those who desire to put as end to the abuses of economic liberty in its extremer aspects, or such as are generally concerned about the miscrable condition of an in-Creasing number of the working classes. It has continued to pread thence until it has gradually invaded the whole economic system without meeting any serious resistance from a public opinion growing less and less sympathetic towards economic liberalism. Yet there was a time when it could be asked whether this very multiplicity of government interventions would not arouse in consumers—as in the est-Present, and even the workers—a growing mistrust of the economic competence of the State. The illusion was short-lived and only served to show up more clearly the universal triumph of State Socialism over all forms of liberalism, including syndicalist liberalism. In conclusion, we must note another characteristic reaction

Whereas during the greater part of the nineteenth century the attac of Socialism were directed against Liberalism and economic ortho doxy, No-Marsian syndicalism is concentrating its attention almost exclusively upon State Socialism. Sorel emphasizes the similarity that exists between Marxism and Manchesterism, and on more than one Point he finds himself in agreement with a 'Liberal' like Pareto. On the other hand, no words are sufficiently vigorous to express his Condemnation of the partisans of social peace and interventionism which appear to him to corrupt the working classes. Syndicalist working men have on more than one occasion shown their contempt for the State by refusing to avail themselves of measures passed t their behalf-old-age pensions, for example. This attitude is perhaldue to the influence of the anarchists upon the leaders of Freed syndicalism. (See Book V, chapter v.)

The combined effect of this twofold current of ideas—the New Marxian and the Anarchite-in turning the French working class Away from State Socialism in the years immediately preceding the First World War is an interesting and very generally recognized fact. In England at the same time a current of ideas called Guild Socialism, akin to this movement in many ways, was tending to replace the earlier State Socialism, represented especially by Mr and Mrs Sidney. Webb, and to superrede trade unionism. It put in the forefront of its

programme not the defence of the specific interests of labour but (after the abolition of the wage system) the general organization of production. This was to be directed in each branch of industry by the whole body of workers and technicians in the industry, who were to constitute a 'guild,' so that the State, though taking over the ownership of the national capital, would be as far as possible relieved of the task of administering it. The State, however, in the opinion of some at least of these writers, should retain the function of control and arbitration in respect of the guilds, as the representative of the consumers.1

But when an attempt was made after the First World War to translate these ideas into reality, and there arose a 'corporative' doctrine which combined in a somewhat confused manner not only trade unionist aspirations but also the paternalist tendencies of Social Catholicism (see Book V, chapter ii) and the desire of employers for the federation of industries, the influence of State Socialism on men's minds was once more apparent. For it was to the State that the direction of the new corporations was entrusted, when in various countries. especially Italy, they obtained the sanction of the law. It has been clearly shown by Gaetan Pirou,\* in a small but substantial volume, how corporatism, born of a reaction against the excesses alike of individualism and of étatisme, turned after all into a new ascendancy of the State over industry. In the same way the term 'controlled economy, which has become increasingly popular during the last twenty years, is only a modern label for State Socialism, which is itself applied. through the interventionism of 1848, to the old statume of the eighteenth and preceding centuries.

<sup>1</sup> The principal writers in this movement were G. D. H. Cole and S. G. Hobson, A good summary of their ideas is to be found in an article (in French) by Laskine in the Resus d'Economis politique, 1920, p. 405. The Economic Journal has also published reviews of several of their works. G. D. H. Cole, one of the founders of the movement. summarizing its fundamental ideas in the American Encyclopedia of the Social Sciences in 1932, said that it had profoundly transformed socialist ideas on nationalization, and that English socialists now thought that socialized industries and services should to a great extent administer themselves, with the workers obtaining an increasing share of control. See the article on Guild Socialism in Vol VII of the Englopedia.

2 Estats tur le comparationes (Sirey, Paris, 1936). M. Salleron, an ardent supporter of corporatism and especially of agricultural corporatism, writes in his Naintonce de l'Étal corporatif (Grasset, Paris, 1942): "Truth compels us to say that the first year's expersence of the peasant corporation is a success for fictions. . . . This is a serious fact, to which it is our duty to call the attention of peasants everywhere" (p. 14). The same tendency of the State to absorb and dominate the corporation is noted in the very important little book by Jacques Valdour, Organization corporative de la Sociét et de la profession (Rousseau, Paris, 1935).

IV: STATE CONTROL AND WAR The fact is that war has provided State Socialism with its m decisive arguments. The term 'controlled economy' that h triumphed everywhere during the last quarter of a century is med another name for a war economy. The nineteenth century had known a long spell of peace, but the twentieth, from 1914 to 1945, has been a continuous period of war or preparation for war. Now war, and especially 'total' war which affects all the principal nations in the world as well as every social class in each nation, and in which the distinction between soldiers and civilians virtually disappears, mean the seizure of everything by the State. All productive activity is mobilized for the single purpose of defence. Every industry abandon production for peace and concentrates on armaments. Agricu deprived of its manpower, sees its products growing scarce. For trade is limited to essential commodities. Exportation is redo almost to nothing by the limitation of tonnage and the closing frontiers. Every effort is directed to the maintenance of impor-The economy of abundance gives way to the economy of scarcity. In these circumstances the State undertakes tasks that are normally left to individual initiative. Not only is production completely subject to its orders, but the distribution of existing products becomes one of its essential functions. The normal functions of commerce are cotrusted to the Government. Prices are fixed, and every one's ration are determined by authority, so that the poorest shall not be deprived of essentials by the demand of the richest. In a word, the economic system that was formerly free becomes entirely the business of the

This situation, created by necessity, still continues when the war over. The State finds it hard to relinquish the control it has become the control of the second second

naturnalism in furtign trade has event the everted of printactions at forms

The delt and received of discussion of the parts to be played to be Start and the individual or receivers it he has taken or a new segur, profibe pair coaled an account of the different countries has received mer been proceded in the way in which each has wheel the problem between the Russian advices and the American the differences are immense. In these developments the hadronan of contents destroyed we not the lighth of any news owns, but the translationers of every had time, adopted to the new forms of every min life and the two of tech much power infinitely superior to that of pair ages. The cannot regard them a regional intillectual creation acquailst of groung on one conceptions of errormers and weard life, and for the means we do not first it in turbest to making opens or another the species days written in particular.

The source of the sovers of created will depend for more, in our opinion, on the polical development of the great State than on their opinion, on the polical development of the great State than on their send sed nowows development. The more dealed the chance of peace, the more numerous and disquering the risks of war, and the restre the delay is action; og the pasts, astern of the nations, the power will this degree great. And just no fat as power serves more assured, on the other hand, we shall find the propins of the world drawing materials than the restriction of the contribution foliation, and in this demonic affain is a free understanding between the americans of prediction.

The German economies Professor Long has undertunable over here pursuased to the chapter, for the fairtigen perfesse had the mediation of bring portler a heave Southful from a morning of the Hammond a bond. He mora dealing with Values bijard-commery, the population theory and present economic throny are trainmed through a number of progress and extent publications, represelle the Intitude for Asimultaneous and product, to tracking's Handlook, and the great Hadubarhad da Statestonoby'sa. He writings are distinguished to a order by a belonely everally method of treatment, but also by a cresarbally clearness of thought, While appearing to continue the tradition of the Classical which, he takes care to styre the systemistic constituents which are time show organized as an armystal deriement of that tradition In 1916 I rain gave us a growted record of his tracking on the Alignment I all metals of later, where he treats of the recovere world as comtermed marries with the correlation of greats. In addition to an interreting therety of trace, upon which we cannot duell just now, the sent conjust part of the work tomate of a slavery concerning the meshed of descripting the social product between waters and reprieture. Lowethrough; that all material greats were preduced by latent and measurable in areas of latence. The problem them is to determine where the capitalist gern his income. The empiralist's pecta is not the smult of explosionaria. as Mare thought, but is samply what is ad ind as the sale prior - a sum corresponding to the capitalist's interest is added to the sum representing the workmen's mages. Profit engineers in the sphere of corrulation. But how will this inversard sale price benefit the capitalus, write that maker easing confident the weekers can only buy the equivalent of the products which they have already helped to produce? We need

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# CHAPTER III: MARXISM

EVERY one knows of the spell cast over the socialism of the twentieth century by the doctrares of Karl Marx and the contempt with which this newer so-called scientific socialism refers to the earlier or Utopian kind. But what is even more striking than the success of Marxian socialism is its wants of sympathy with the heretical doctrines of its predecessor

to remember, however, that they produce for the capitalist as well as for threshold and with the money thus obtained the working classes are embled to buy where they need at market price-ry, at a price that include interest, which consider the representative the contract of capitalist themselves by the reciprocally benefiting one another. Their day position is not modified by such procedure, for each suppressor another. Their cass pessions as in the case pession in the case pession in proportion to the case of t consists by seen procedure, for each antigeness thingsy draws probe in purpose of the capital. And so we avoid the most actions objection which can be raised to Mars throw. This replanation of the surplus value received by the capitalists of the s least very ingenious, Lesis was mostly influenced by Marx and Robons and a reas very agenous. Less was mostly influenced by Mars and Kotserina and the attempted a fastion of their more vigorous conceptions. Despite the objection that the state of ne autoupres e musor, os tante more vigorous conceptions. Despite toe operations under the reast of rit, the work is certainly one of the most original of the German School

Mean Mars, generally proben of as a few, was born on May 5: 1818, of Jests parents who all the converse of a 2 Jew, was born on 214 5, 1010, a Jewson and the converse of Protestanting Bern of a respectable bourgest poetras was not seen convertes to protestanting porn of a repertation marked to the daughter of a German baron, few would have prefe for him the career of a militant seculiar. Such was to be his for, however, Inst. at the age of the entry-few the authoritor having supposed a newpoor which a contract to the action of the age of the authoritor having supposed a newpoor which is as conducting, he find to Para, and thence to Brusels. Returning to Create to Account to the conducting to Create to Brusels. Returning to Create to Brusels. during the Recolumn of 1826, in which be took as active part, be was against a second of 1826, in which be took as active part, be was against part, be was and this time dook relige in London (1849). Here he spent the rest of his fels shows shirty years), lessing on London (1849). Here he spent toe rest of the out-lessing years), lessing for France a short time before his death la 1823. He ded at Although Mars was one of the founders and directors of the farmon association

Assumpts near was one of the founders and directors of the fations assumed as the "international" when was the terror of every lumpas Commerce and the state of every lumpas Commerce and the every lumpas Commerce and the state of every lumpas Commerce and the every lu Source and international, which was the fetros of every Lumpean termination and a more revolutionary like his rival Education of which has been to fee on a second sec a success around to the proper like Lanage. He was encountry a source.

The property of the pr

The breat-known of the works, which is frequently quoted but without read, is the Ephod of which the first columns—the only one policited during his forma-neous set in since separate in Seg. The other two volumes the only one published during his communities, through the effects of his volumes were fasced after his death, in 1805 and

This book exercised a frest influence topon increment-century thought, and shady no west, with the so were stored a great influence upon nonerentheratury though, we to such a keep of security to such a Remarks a sure wins the eartpition of the Bible and the Fancett, has provided a feedback to the formation and apologists. March other entires, though many the formation and apologists. March other entires, though many to many a must be commentation and applicable. Many other writing, though a pull forgrowthy quested, are also externed nelly important, expectify fa follow following a philosophy, realization in a commentation of the commentat Fallenghe, Published in 127 in source to Providing Information Computing Information and American Computer Comp A fruit for pulsely in (c)7 to source to Proutber's In Connections Comments of the Connections of State of the Connection of State of the Connection of State of the Connection of State of Stat C. A route for primerical Columnia (1879); and particularly the Communical Association in Street, and as force is street, a pumpiler, and at force is the street of the columnia association in Street, and as force is the street of the columnia association in the columnia association and the columnia associ stranged starting and starting and starting as partial as merely a pampaint, and an execution, perhaps and starting are starting as partial as a starting as num new namety any attention, but Labrinia goes so far as to say-not estimate enaugerating, perhaps—that "the date of its publication marks the beguning of a

the Communists and Fourierists, and the pride it takes in regarding itself as a mere development or rehabilitation of the great Classical tradition.

To give within the limits of a single chapter a résumé of a doctrine that claims to review and to reconstruct the whole of economic theory is clearly impossible, and we shall merely attempt an examination of two of Marx's more essential doctrines, namely, his theory of surplus labour and value and his law of automatic appropriation, more familiarly but less accurately known as the law of concentration of capital. (The first is based upon a particular conception of exchange value and the second upon a special theory of economic evolution.) To employ Comtean phraseology, the one belongs to the realm of economic statics, the other to the domain of economic dynamics.

## I. SURPLUS LABOUR AND SURPLUS VALUE

The laborious demonstration which follows will become clearer if we remind ourselves of the objects Marx had in view. Marx's aim was to show how the propertied class had always lived upon the labour of the non-propertied classes—the possessors upon the non-possessing. This was by no means a new idea, as we have already made its acquaintance in the writings of Sismondil, Saint-Simon, Proudhon, and Reglaterius. View the sessence of the criticism of these writers was always social rather than economic, the institution of private property and its injustice being the chief object of attack. Karl Marx, on the other hand, deliberately directed the gravamen of the charge against economic givener itself, especially against the conception of exchange.

new era" (Essai ser la Conespision matérialiste de l'Hustone, p 21). At any rate, it is the breviary of modern socialism. There en scarcely a ungle one of its phrases, each of which stings like a dart, that has not been invoked a thousand times. The Programme of the Communit Manufesto u included in Ensor's Madern Seculium.

It is a much-echtered question as to whether Kasl Mars was influenced by French cocidints, and to we what steates CD, she questoon of his indicatedness to Perquest and Frondshots see Bourguist's strade in La Bour & Economic politique, 1859, on Dat Appetit can Product on Economic Residence of the Company o

He endeavours to prove that what we call exploitation must alway exist, that it is an inevitable outcome of exchange—an economic necessity to which both master and man must submit.

It is convenient to begin with an examination of economic value. it is convenient to begin with an examination or economic value.

Marx lays down the doctrine that labour is not merely the measure and cause of value, but that it is also its substance.) We have already had occasion to note how Ricardo was somewhat favourably inclined to the same view, though hardly willing to adopt it. There is no such heritation on the part of Marx; it is all accepted in a characteristically thorough fashion. Of course, he does not deny that utility is a necessary condition of value and that it is really the only consideration in the case of value in use what utility alone is not enough to explain Table in exchange, since every act of exchange implies some common lement, some degree of identity between the exchanged commodities. his identity is certainly not the result of utility, because the degree of lity is different in every commodity, and it is this difference that natitutes the tauson d'itse of exchange. The common or homogeneou element which is contained in commodities themselves heterogeneous in character is the quantity of labour, great or small, which is contained in them, The value of every commodity is simply the amount of crystallized human labour which it contains, and commodities differ in value according to the different quantities of labour which are

Let us take the case of a working man, an employee in any kind

What will be the exchange value of the produce of his labour? It will be the equivalent of ten hours' labour, whether the commodity produced be cloth or coal or what not. And since the master, or the capitalist, as Marx always calls him, in accordance with the terms of

Mare calls attention to the face that even Aristotle was purified by this common concern which exchanged objects are med to possens, and by the fact that exchanged Personal to an advantage a superal second to possess, and by the sact that comments are the superal sales. We say that 5 bods = 1 house. "What is that the superal sales we superal sales we have a superal sales." We say that 5 bods = 1 house. "What is that the superal sales we superal sales we superal sales we superal sales with the sales sa tual something, that common substance, which admits of the value of the body the materiality, that common substance, which admits of the value of the trave of the travel of the value of the travel of the value of the travel of the tr y noc! Compared with the terds the house does represent something equal to them. y non.

Only as it is prevents what is really equal, both in the bods and the boure. And the human labour (Appeal, p. 29), Moore and Aveling's translation-to which Translator a melbred for the succeeding quotations also. If we make a startenon from its uneventure we make abstraction at the same time the matter, it is a startenon from its uneventure we make abstraction at the same time.

The sa a material dung is put out of ught. Neither can it any longer be reported to conduct of the latest post out of ught. Neither can it any longer be reported. Eproduct of the labour of the jenner, the mason, the spanner, or of any other to band of the labour of the jenner, the mason, the spanner, or of any other to anot of productive laterary. There is modifing left but what is common in 131, 48 are reduced to one and the same tort of labour—human labour is the

the wage bargain, reserves for himself the right of disposing of that commodity, he sells it at its real value, which is the equivalent of ten hours' labour.

The worker himself is cut off with a wage which simply represent the price which the capitalist pays for his labour force (Arbeitseff), and the capitalist reserves to himself the right of daposing of the commodity at his own good pleasure. Its value is determined in the same way as that of every other exchangeable commodity. Labour-force or manual labour is just a commodity, and its value is determined by the number of hours of labour necessary for its production.

The quantity of labour pecessary to produce the labour-force is a somewhat formidable expression, and it is very difficult for anyone who is beginning a study of Marx to appreciate its significance, but it is very essential that we should try, since everything turns upon a clear understanding of this phrase. But it is really not so mysterious after all. Suppose that instead of the labour of an artisan we take the work of a machine. No engineer would be surprised if we asked him the running expenses of that machine, and he might reply that it "as costing one or two tons of coal per hour or eight or twelve ber m; and since the value of the coal merely represents a certain amount human labour on the part of the coal-miner, there would be no fliculty in expressing it in terms of labour. Under the wage system e labourer is simply a machine, differing from the latter merely in e smaller quantity of wealth which he produces. The value of an our's labour or a day's toil can be measured by the quantity of recessaries required to keep the worker in full productive efficiency uring that period. Every employer who pays wages in kindhigh is still partly the case in some agricultural countries-always takes that kind of calculation, and even when the worker is paid a ioney wage things are much the same, for the money simply

presents the cost of those necessaries.

Let us proceed a step farther. The value of the commodities necessary for the upkeep of labour is never equal to the value of the produce of that labour. In the instance given it would not equal the value of the produce of the produce

en hours' labour—perhaps not even five. Human labour under "The capitalist perh is therefore characterated by the, that labour-power takes a the yes of the labourer humed' the form of a commondity which is har property is labour consequently become weight solution. "Given the individual, the production of labour-power consist in his reproduction of harmest for his mannersance. For the labour-line requisite for the production of labour-power reducts itself to that receive for the production of discovered reducts itself to their section of the production of discovered reducts itself to the receive for the production of discovered reducts itself to the receive for the production of discovered products in other words, the value the labour-line research of the interest of debittence precessary for the maintenance the labour-line research of the labour-line research of the labour-line research of the labour-line re normal conditions always produces more than the mere value of the goods consumed.3

This is the crux of the problem. The mystery surrounding capitalist production is at last solved. The value produced by the labourer posses into the hands of the capitalist, who disposes of it and gives back to the labourer enough to pay for the food consumed by him during the time he was producing the commodity. The difference goes into the capitalist's pocket. The product is sold as the equivalent of the hours' labour, but the labourer receives the equivalent of five hour only. Marx speaks of this as surplus value (Mehreenth), a term that has become exceedingly propular since.

Thus the caretimitary popular since.

Thus the capitalist gets ten hours' labour out of the workman and only pays him for five, the other five hours costing him nothing at all. During the first five hours the workman produces the equivalent of his wages, but after the end of the fifth hour he is working for nothing. The labour of this extra number of hours during which the surpliss value is being produced, and for which the worker receives nothing. Marx calls surplus labour. By that he means the superrogatory labour which yields nothing to the worker, but merely involves an extra tax upop his energies and simply increases the capitalist's fortune.

Naturally the capitalist's interest is to augment this surplus value which goes to swell his profits. This can be effected in a number of

<sup>2</sup>This demonstration implies that the wages drawn by the worker is necessify only just equal to the value of the means of his subsistence. It is the old dasks law of Turgot and Ricardo over agan, which Lassalle, Marx's contemporary and multiple graphically called the "braten law of wages." We are simply given a more scientific demonstration of it that is all.

The demonstration is based upon a postulate which ought first to have been proved, manely, that the quantity of labour necessary to keep the worker able is always less than the quantity which he provides for his mater. But what is there in prove that an man who works ten hours a day does not require all those ten hours to problet unificient for his upleap? I shere some natural law that supports this distinction. Marx simply regards it as an axion and attempts no proof. Every one would admit to be true in a general way—as a kind of empirical law. For were it true that many labour was wholly absorbed by the necessaries of life there would be no increase of numbers, no assing of capital, and editization, which is the product of sleare, would

never have been possible.

What we have here is the Physiocratic 'net product' once again, with this difference,
that instead of being confined to agricultural labour it is now regarded as an attribute
of labour of every kind.

<sup>&</sup>lt;sup>2</sup> See p. 198 for what is tailed of Simonds and his conception of theremest relative in necessary to point out that this proportion, which gives hid we that so had labour, leaving to oper critic supplict value, is put forward covery for the tail of library that the same of the sam

ways, and an analysis of some of these processes is one of the most characteristic features of the Marxian doctrine. This analysis may be summed up under two main divisions.

The first method is to prolong the working day as much as possible in order to increase the number of hours of surplus labour. If the number of working hours can be increased from ten to wedve the surplus will automatically grow from five to seven. This is exactly what manufacturers have always tried to do. Pactory legislation, however, has forced some of them to limit the number of hours, and this has resulted in checking the growth of surplus value somewhat. But this check applies only to a limited number of industries.

A second method is to diminish the number of hours necessary to produce the worker's sustenance. Were this to fall from five to the its dear that the surplus would again rise from five to seven. Such reduction is possible through the perfection of industrial organization or through a reduction in the cost of living, a result which is usually effected by means of co-operation.\(^3\) The capitalist also often manages to bring this about by setting up philanthropic institutions or by employing women and children, who require less for their upkeep than adults. Women and children have been taken from the house, and the task of housekeeping and cookery has been left in the hands of the men. But laws regulating the employment of women and children have again defeated these textices.\(^3\)

Such is a very brief summary of Marc's demonstration. Is real originality lies in the fact that it does not consist of commonplace recriminations concerning the exploitation of workers and the greed of exploiters, but shows how the worker is robbed even when legs all that he is entitled to.<sup>3</sup> II cannot be said that the capitalin has

The development of machinery, according to the Marxian theory, tends to reduce the cost of living, and consequently the price of labour, by producing cheaper clothes, furniture, etc., and to a leaser extent cheaper food.

By parity of reasoning ought it not to reduce the proce of goods produced by the wage-enter and so lower the angular valler? We must be careful, however, not so reading a reduction in the price of each unst with a reduction in the total value of the confine a reduction in the price of each unst with a reduction in the total value of the sattles produced by manhauery. A way of each produced by a modern Joon has not the same value as a yard produced by an odd hand-doom. But the value of the total quantity produced each day must be equal to the value produced by hand, provided the same number of hours have been spent upon its producing the "3-fare points out that there are other ways of increasing the amount of work done."

Asiar points out that there are other ways of increasing the amount of work done and of aking to the surplus value, such as the specing up of Llowur. Specing up does not increase the value of the goods, because the value depends upon the time spent upon them, and not upon the intensity of the effort put forth, but if does lower the cost of production.
"Our framed Money-bags"... must buy his commodities at their value, must always and the cost of production.

them at their value, and yet at the end of the process must withdraw more value from circulation than he threw into it at starting. . . . These are the conditions of

If faced capital is really unproductive, how is it that modern as nacu capusa so reasy unproductive, how as it to at modern in fall always increasing the quantity of fixed capital which is: and the has now become one of it most familiar features the profit than that yielded by the smaller craige it pieus ica prout than that pieucet by the mining a count for the range. Again, how are we to account for the range. in the rates of profit in different industries according to the differ quantities of capital employed, seeing that it is an axiom of point quantum of capital employed, weing that it is an axion of peo-According to a traine or tree competition with equal security on different capitals should everywhere to the same?

Marx replies by saying that the rate of profit is the same for all Capitalists within the country, but that this rate is the average of the caposation within the country, but that this rate is the average of the different industries. In other words, it is the ate that would obtain it every industry in the county employing act tract would obtain it every industry in the country empoying amounts of fixed and circulating capital formed a part of one aying amounts or taxes and circulating capital formed a part we consider it. But not be thought of as a kind of statistical average, but the state of a strange which competition trings about. The the source of average which competitions orange about. a so other than tingen time tren experient. Ye took managed a farge amount of variable capital—agriculture, for east

a sage amount to various capital—agriculties, so we themselves with just the average rate of return, but draw the way of surplus value the steeping rate or return, our may the way of surplus value than they had expected, and so leave the steeping rate of the steeping rate of the way of surplus value than they had expected, and so leave the way of surplus value that they had expected, and so leave the way of surplus value that they had expected, and so leave the way of surplus value that they had expected, and so leave the way of surplus value that they had expected, and so leave they had expected and so leave the way of surplus value that they had expected the surplus value than they had expected they had e the reap to surplus value than they had especiet, see we.

to them as undertakings of an inferior character, 'On the, bose industries which possess a large amount of constant cap to than their capital had led them to hope for, and Man

under a mounted of a superior character. More under a superior character. them as industries of a superior character, a Hence the at the expense of the others. It is because the former kind find then as the expense of the others. It is because the former king and book position, or, in other words, realize greater onation and little variable capital, does not, on account of this, poting he profit of a baker who exhibitely see is receiped much profits as profit of the poting has profit for profits and finds. Official and fittle variable capital, does not, on account of this potent has posts as a faster who relatively sets to motion much potent has posts as a solution of the account of this potent has posts as a fast of the account of this potent has posts as a fast of the account Figure 1910. That is below the relativity set in motion much relativity set in motion much relativity and the state of the set of the second of the apparent controllection was immediate and the second set of the second related capital. For the solution of the apparent controlletion may increase that every many increases that every many increases the standpoint of chiracitary after stand see standard of chiracitary after standard see that the standard see th to see a 19t washed, as from the standpoint of elementary algebra cases issued to demonstrate that § and reference as a from the standpoint of elementary algebra cases issued to a paperature by the standard standard paperature by the sta

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1 to the same same satisfactory and the same same satisfactory of the the whole sational indicate will be made up of from + from front from for the front from from the made up of from + from front from the front from front from front from front from front Oper cent, of the circulatory capital, the total capital value was now the example difference of a percentage of 30.

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the example given on p. 4x6, the fitted of 5000 + 6100 = 6500, as the fitted of 500 per cent, will draw only 50 per cent, profes a life included

profits, that they do employ surplus labour, from which surplus value is naturally derived.<sup>1</sup>

While admiring the ingenuity of the dialectics, we must not blind ourselves to the simple fact which Marx was so amisous to hide, but which is nevertheles implicit in all this, namely, that the rate of profit, which means also the value of the goods, is regulated by competition—that is, by demand and supply—but bears no relation to the quantity of labour employed. We must also remember that the entriprenous far from seeing his profits diminish as he employa less human labour, finds them increasing, Affais contradiction is just one of those flaws that finally cause the downfall of the majestic edifice so laboriously raised by Marx.

## V2. THE LAW OF CONCENTRATION OR EXPROPRIATION

The law of concentration of capital, which can only be interpreted in the light of economic history, is an attempt to show that the regime of private property and personal gain under which we live is about to give place to an era'd social enterprise and collective property. Let us try to follow the argument as given by Marx

<sup>1</sup> We have indifferently employed the seron's profit and 'surplux value' intuly's because the former as much more familiar word. But we must warm, there against thinking that the two terms are syncorproson. The surplux value is all labor part of the value of the produce which is over and above the expense of libbor unvolved in its production—that enormous alsee which borounts the property of every class in nockey except the workers, not merely the employers, that interchant, land-lord, etc., while profit is that part of the surplux value which the employers of labors where for their own was. The zette of profit also is assortified gaute different for from the

percentage of surplus value, as we shall see later
We must call steinast once more to the different interpretations which have been
given of the term 'profit.' Mare and the English contomust take the word to compite the whole revenue of capital under a regime of free competition, no distinction
being diswn between profit properly ske called and interest. Today we understand
the profit of t

It would be absurd to speak of a law of equality of profit, seeing that profit, as we

have defined it, is, like rent, a differential revenue.

<sup>8</sup> We are fully aware of the fact that our method of apphoach must appear absurd from the Marxian standpoint, because it lays Marx open to the charge of starting with a preconcived idea, much after the style of conomusts the Bastast, for example. Such a method, it is contended, is utterly unscientific and unworthy of a great much the Marxia.

However great he may have been, we cannot help thinking that, in common with most acienture, he discovered just what he was looking for, and it would be difficult to prove that Marx was not a socialist long before he began the writing of Kahtal, even long before he had constructed a system at all. Our object in stating the conclusion fint of all is to help the reader to an under-

standing of the argument, but it is quite open to anyone who thinks differently to say that Marx had not the least idea where the analysis would lead him.

The general use of the term "collectivism" is largely due to Marx. While 'col-

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15.7

Again must we cast back our thoughts to a period before the eather beginning of capital in the sixteenth rentury—a period when, according to the occasion, there existed neither capital nor capitalist. Capital in the recovering sense of a more instrument of production must have existed error before this time, but the weightes are of opinion that is adequate a different significance then, and it is important that we should appearent the uniform who do not not a significant that we should appearent the uniform use of the world as anything that yields a tent, and yields the said cent as the result, not of the capitalist labor, but of the total of others. But under the guild system which precede this condition of things the majority of the workers possessed most of the instruments of production themselves.

Then follows a description of a pries of changes which we cannot attempt to study in detail, but which forms a singularly dramatic chapter in the writings of Marx. New means of communication are established and new markets opened as the result of impersant maritime discoveries coupled with the consolidation of the great modern States, the rise of banks and of trading companies, and the formation of public debts. All these resulted in the concentration of capital in the hands of a few and the exprepriation of the small promisions.

proprietory.

But this was only a beginning. If capital in this newer sense of an instrument for making profit out of the labour of others was ever to come into its own and develop, if the surplus labour and surplus value of which we have given an analysis were really to contribute to the growth and upkeep of this capital, it was necessary that the capitalist should be able to buy that unique merchandise which possess such wonderful qualities in the open market. But labour-force can never be bought unless it has been previously detached from the instruments of production and removed from its surroundings. Every connexion with property must be severed, every trace of feedalism

lectivism' occurs almost on every page of the Manifests, the term 'communism,' on

the other hand, is never once employed.

Junes Galliamon, in the perface to Vol. II of the French edition of Balmin's works.

Junes Calliamon, in the perface to Vol. II of the French edition of Balmin's year.

p. xxxxi, gives the following account of the origin of the ward closer.

The comment of the comment of the comments and the form of the comment of the comment of the comments of the comment of the comments of the comment

and of the guild system must be removed. Labour must be freethat is saleable; or, in other words, it "must be forced to sell itself because the labourer has nothing else to sell." For a long time the artisan was in the habit of selling his goods to the public without the intervention of any intermediary, but a day dawned when, no longer able to sell his products, he was reduced to selling himself.1

The creation of this new kind of property based upon the labour of others meant the extinction of that earlier form of property founded upon personal labour and the substitution for it of the modern proletariat. This was the task to which the bourgeoisie resolutely set itself for about three centuries, and its proclamation of the liberty of the labourer and the rights of man is just its pæan of victory. Its task was accomplished. The expropriated artisan who was already swelling the ranks of the proletariat seemed an established fact

In reality this end was only partially accomplished even in the more capitalistic countries, but that there is a general movement in that direction seems clear in view of the following considerations.

(a) The most suggestive fact in this connexion is the growth of production on a large scale, resulting in the employment of machinery and in the rise of new forms of organization such as trusts and cartels, new systems that were unknown in Marx's day, but which have helped to confirm his suspicions. These trusts and cartels are especially important from a social point of view because they not only absorb the capital of the small independent proprietor, but swallow the mediumsized industry as well. This wonderful expansion of production on a large scale means a corresponding growth in the numbers of the proletariat, and capitalism, by increasing the number of wage-earners. helps to swell the ranks of its own enemies. "What the bourgeoisie produces, above all, therefore, are its own gravediggers."1

Over-production is another fruitful method. A contraction of the market results in a superabundance of workmen whose services are always available They form a kind of industrial reserve army upon which the capitalist may draw at his pleasure-at one moment indiscriminately taking on a number of them, and throwing them back on to the streets again as soon as the demand shows signs of slackening.

We think we can perceive a change in the physiognomy of our dramatus persone He who before was the money-owner now strides in front as capitalist; the possessor of labour-power follows as his labourer. The one with an air of importance, smarking, intent on business; the other timed and holding back, like one who is bringing his own hide to market and has nothing to espect but-a hiding." (Kapital, p. 155) Manifesto, para, L.

a One of the chief objects of the trusts is the avoidance of over-production, but that does not mean less unemployment; on the contrary, a part of their policy comusts in closing down certain establishments which appear to be unnecessary.

(e) The concentration of the rural population in towns it another contributing factor. This movement itself is the result of the disappearance of the small holder and the substitution of pastoral for arisk plants of the contribution of pastoral for arisk propriated projectural of an increasing number of hitherto described in the advent and producers.

Such is the advent and producers.

Such is the advent and producers, or the contribution of the different pastorage of the contribution of the different history of capital go out of every pore." How the slowly accumulated fruit of labour and abstinctney between the slowly accumulated fruit of labour and abstinctney, and the contribution of the capitalists and the workers, is upposed to date from an adventure that beful them both a few days after

Creation, when the good and the wise decided to follow the high read of capitalism and the idle and vicious the stony path of toil. In reality capitalism is the outcome of class struggle-a struggle-a strugglethat will some day spell the ruin of the whole regime, when the exp priators will themselves be the expropriated. We are given no deta as to how this is to be accomplished, and this abstention from propher distinguishes Marx from the Utopian socialists of the last two thousan Years. His one object was to show how those very laws that led to the Stablishment of the regime would some day encompass in ruin.\ orce of circumstance seemed to make self-destruction inestable. The capital regime," writes one Marxian socialist, "beggs in own gation, and the process is marked by that inevitability which is such Gature of all natural laws." The following facts are deduced as poss that this process of self-destruction is already in course of being Industrial crises, whether of over-production or under-consumphave already become a chronic evil. The fact that to some extent

are to be regarded as amount even, me are most various or duction cannot prevent their damaging that system. The concept force of the capitality system forced in the fixed at the capture of circulating capital, hnothing for the most absolute the state of the capitality of the damaging that system, must also tendency the capitality for the state of the capitality of the

themselves out of employment altogether and almost on the verge of starvation. Proudhon, as we have already seen, laid considerable stress upon this, and it is one of the instances in which Marx is obviously influenced by Proudhon.

The idea which underlies the Marxian theory is that every crisis involves a readjustment of the equilibrium between fixed and circulating capital. The growth of the former, though continuous, is not always uniform, and whole sections of it may occasionally be found to be without solid foundation which would warrant such expansion. But the crises which result in the destruction of these speculative accretions give a new spirit to the creation of further surplus value, which results in the creation of further fixed capital and more crises, and so the process sees on.

(b) The growth of pauperism, which is the direct outcome of crises

and want, is another factor.

The bourgeoise is unfit any longer to be the ruling class in society, and to impose its conditions of existence upon society as an overriding law. It is unfit to rule because it is incompetent to assure an existence to its slave within his slavery, because it cannot help letting him sink into such a state that it has to feed him instead of being fed by him. <sup>3</sup>

46. The rapid multiplication of joint-stock companies is the final butters with which the Marians have strengthened their contention. Under the joint stock principle the right of property is simply reduced to the possession of a few strips of paper giving the anonymous owner the right to draw dividends in some commercial concern or other. Profit is seen in all its nakedness as a dividend which is wholly independent of all personal effort and produced entirely as the result of the workers' drudgery. The duty of personally supervising the methods of production and of opening up new and better ways of manufacturing, which served to disguise the real character of the individual employer and to justify his existence, is no longer performed by the owner, but falls to the lot of two new functionaries, the parasitic company director on the one hand and the salaried official on the other.

Once the whole industry of a country becomes organized on a jointstock basis—or, better still, once it passes over into the hands of a trust, which is simply a manifestation of the joint-stock principle at its highest—expropriation will be a comparatively simple matter. By a mere stroke of the pen property hilherto held by privates shareholder will be transferred into the custody of the State with hardly a change in the economic mechanism itself.

<sup>1</sup> Kapstal, p. 647.

<sup>3</sup> Manifesto, para. 1

Thus the expropriation of the bourgeoisie will be a much easier to than was the expropriation of the artisan by the bourgeois a few conturies ago. In the past it was a case of the few subjugating the many, but in the future the many will overwhelm the few—thanks to the liw of concentration.

But what is to be the outcome of the Marxim programme (see cannot speak of its aim or ideals, for Mark scorned such terms)? The Reneral opinion seems to be that it involves the abolition of private property, and that the opinion is not altogether without foundation may be seen from a perusal of the Manifesto, where we read that "the theory of the Communists may be summed up in the single sentence: Abolition of private property."1

The Manifesto also explains in what sense we are to understand this The private property which so much needs suppressing is not the right of the worker to the produce of his own toil, but the right of other appropriate for themselves the produce of that labour. This is priva property as they understand it. They think, however, it would b better to call it bourgeois property, and they feel quite confident tha it is destined to disappear under a collectivistic regime. As to a man't right to the product of his own labour, that surely existed formerly, before the peasant and the craftsman were overwhelmed by capitalism and replaced by the proletariat. Collectivism, far from destroying this kind of property, will rather revive it, not in the antiquated individualistic form of letting each man retain his own, which is obviously impossible under division of labour and production on a large scale, but of giving to every man a claim upon the equivalent of what he has produced.

This twofold task can only be accomplished by undoing all that capitalism has done; by taking from the capitalists the instruments of production which they now possess and restoring them to the workmen, not individually—that would be impossible under modern condi-

of Engels in his preface to the Manifelo admits that one of its objects was "to announce the inevitable and imminent downfall of bourgeois property."

Nowaday, however, it is more usual to characterize the aim of collectivism as an attempt to belond the super-carring classabilities of property belonging the contract that. This is fow labeling writes in the East not to Grant the contract that it fow labeling writes in the East not to Googless matrices. towards uset. Aim is now Labriola writes in his Etial no la Coorphon manufacture. (and ed., p. 6.5); "The professivant must learn to concentrate upon one thing, namely, the abeliance of the manufacture.

It is well to remember that such is also the aim of the Associationist, the cooperators, and the Radical Socialists. They proceed, however, from the opposite of the Associationals, the continuous of the Associationals, the continuous of the opposite of operators, and are Radical Socialists. They proceed, however, from the opposite of view, and would multiply property rather than abolish it, thinking that the point or view, and would multiply properly rauna man-latter process would merely universalize the wage-camer.

are process would merely universalize the wage-camer.

"Communium deprises no man of the power to appropriate the product of the power to appropriate the product of the pr society. All that it does is to deprive him of the power to suppropriate the product on others him masses of masses of masses of the power to subjugate the labour of others by means of such appropriation." (Maniferto, para. 2.)

tions—but collectively. To adopt the formula which feutra at the head of the party's programme, this means the scalaration of the means of production—land, including surface and subsul, factories, and capital. The produce of every one's labour, after allowing for certain exposes which must be beare by the community as a whole, will be distributed according to each one's labour. Surplus labour and surplus values will thus dispersa simultaneously.

This especiation of the capitalist will be the final stage, for, unlike the preceding movements, it will not be undertaken for the benefit of a single class, not even for the benefit of the workers. It will be for the interest of everyloody alike, for the benefit of the nation as a whole. It will also be adequate to copy with the chance which industry has recently undergone; in other words, both production and distribution will be on a collective linus.

### II THE MARNIAN SCHOOL

After this summary exposution of the principal theories of Karl Mars, we must now try to fix the general character of the school that bears his name? and to distinguish it from the other socialist schools that we have already studied.

(ar') in the first place, it proudly claims for its teaching the title of isotify welfalim, but much care must be exercised in interpreting the formular. No economist has ever above such contempt or betrayed such passion in denouncing Phalantiers, Ulopias, and communitie schemes of every kind. To think that the Marasans should add to the number of such fantatic dreams! What they claim to do, as Labriola points out (may the shades of fourier forgive their presumption), is to give a thoroughly steinfife demonstration of the line of

To any this Karl Mare was the leader of a great socialist whole is hardly the way to describe here, for its necessary data we should remember that the vast majority of those who consider themselves socialists are solved remember that the vast majority of those who consider themselves socialists are solver or be lift discipled. The other socialist schools, the anarchitist, the Falkane, the Collineats, and the followers of Berry George, via a very root forms bedde has

The ball of ha abbrenia were at find drawn ruler from Germay or Runa. England bring the country which did least to writt the raised of his followers. In France the part do trane was vigorously preached unce 1670 by Jule Goosle and Lafergue-she haster of shown was Maria societies. Due a greet many French manner thought otherwise in mane, refused their abbranes to the Mariana doctime to the contract of the contra

progress which has actually been followed by civilized so Their one ambition is to gauge the significance of the unco evolution through which society has progressed and to point the towards which this cosmic process seems to be tending.

The result is that the Marxian school has a conception of na laws which is much nearer the Classical standpoint than that e predecessors. Of this there can be no doubt. The Marxim theo are derived directly from the theories of the leading economists of early nineteenth century, especially from Ricardo's. Marx is in line of direct succession. Not only is this true of the labour-val theory and of his treatment of the conflict between profits and wage but it also applies to his theory of rent and to a whole heat of Rienrian doctrines that have been absorbed wholesale into the Martin philosophy. And, paradoxical as it may sound, his abstract degrade method, his obscure style, which encourages disciples to retort that the critics have minunderstood his meaning and to give to many a passage quite an esoteric significance, is of the very essence of Ricardo, 1 Mars's theories are, of course, supported by a wealth of illuminating facts, which unfortunately have been unduly simplified and drawn upon for purely imaginary conclusions. We have already had occasion to remark that Ricardo also owes a good deal more to the observation of facts than is generally believed, and his practice of postularise imaginary conditions is of course notorious. The impenitent Marx who still washes to defend some of the more untenable theories Mars, such as his doctrine of labour-value, generally finds himse forced to admit that Marx had supposed (the use of suppositions is a unfailing proof of Ricardian influence) the existence of society whereir labour would be always uniform in quality,

A Labitola, Essei ner la Conception mastraliste de l'Aisseire, p. 24. The Saint-Simonham \*\* Leavings action per as conception magazining at lawren, p. 24. The Silmeonomous that directly made a similar claim. It is bardly fair to class them among the Uniplies. one because ready to adout their claim to proceing the matter, decorges fored, one of Mars's deciple, writing in no derogatory spirit, we may because works one or mark's encepted, writing in no derogatory spirit, we may be created a follows: "Our experience of the Marxian theory of or extrain, experient named at follows: "Our experience of the Marxian theory or value convinces to of the importance which obscurity of syle may lend to a doctrine" value convincer us of the importance which obscurity of spik-a remark that is applicable to other writers bendes Marx.

a from that is applicable to other writers bendes Mars.
Servey Sortely and Palampus poor Uniterstatuse de Martine, in the Read intensitionals de Society of 500, p. 248. There is no such thing as a theory of value our natural as corpusors, 1900, p. 250, of there is no such thing as a theory of natural time accepted state of the term in Marx. What we have is a theory of constitution which a model and to the state of the term of the state entering the second of the term in mark. What we have is a theory of economic which would only be free of a very rudimentary kind of sectory. It equatrum water apout only be true of a very radiated trappy to a sector. It is admired, for each point and industries are countly easy or difficult that it is men working for one down all provides the section of the country of the trappy of trappy of the trappy of trappy of the trappy of trappy of the trappy of amount of wealth no matter what tak they are engaged upon. It is that equals and they are engaged upon. It is that equals and they are engaged upon. atomic of weath no matter what just they are engaged upon. It is that equinous comparison to be made between one commedity and another, and this constitute their value. We are simply treated to an abstraction which show that when the value, we are supply treated to an abstraction which above an elementary of a full ingrouply it is at least possible to reconcile the theory of time-value and the theory of market price.

Marsism is simply a branch grafted on the Classical trunk, Automathed and Indignant as the latter may well seem at the sight of the strange fruit which is teaching has borne, it cannot desy the fact that it has nourished it with its own life-blood. "Dar Kepstal," as Labriola notes, "instead of being the prologue to the communal critique, is simply the epilogue of bourgeois economics."

Not only has Marxism always shown unfailing respect for political conomy even when attacking individual economists, who are generally accused of inability to graps the full significance of their own teaching, but, strangely enough, it betrays an equal affection for capatialism it has the greatest respect for the task which it has already accomplished, and feels infinitely grateful for the revolutionary part (such are the words used) which it has played in preparing the way for collectivism, which is almost imperceptibly usurping its place.

But the Marxiams have one serious usureal with the older conomic process.

mits. It seemed to them that the earliest writers on political economy never realized the relatively transient nature of the social organism which they were studying. This was possibly because they were conservative by instinct and had the interest of the bourgeois at heast. They always taught, and they fully believed it, that private property and proletarianism were permanent features of the modern world, and that social organization was for ever destined to remain upon a middle-class foundation. They were at least unwilling to recognize that this also, lake the rest, was simply a historical category, and, like them, also was destined to vanish.\*

(b) The Marxian school also differs from every previous socialist <sup>1</sup> Conception matrialists, p. 91. Sorel says: "Marxim is really much more akin to the Manchester doctrine than to the Utopian. We must never forget this." (La Demonstrates of Morrison, p. 44)

b. "The bourgeties for a boundary part is a played a most revolutionary part. . . . The bourgeties for case when the part is the part i

(Annulus, pair 1-1).

Besides, the Marxian themselves have tried to prove that capital is actively undermining its own existence, which is surely the separating of the revolutionary temperature.

The result is that capital has managed to solve problems which the Utopians tackled in vain. It has also given rie to conditions which permit of an entrance into a new form of coriety. Thus secaration will not need to invent new machinery or to get people accustomed to them," etc. (Sord, &c. at, p. 41.)

"The economics regard the feudla institutions as artificial, the bourgeois as

"The economists regard the feudal institutions as artificial, the bourgeois as natural. The existing economic ties, in their opinion, are elemental laws that must always bird society. . . They have had some history, that is all we can scally say." (Marx, Aluke & to Philosophic, pp. 167-168.)

school in the comparative case with which it has eschewed even consideration of justice and fraternity, which always played such a important role in French socialism, of is interested, not in the idea but in the actual, not in what ought to be, but in what is likely to be

The theoretical conclusions of the communists are in no way based on ideas or principles that have been invented, or discovered by this or that would be universal reformer. They merely express in suce or that reduced universal retornier. Aley mercy convergences terms, actual relations springing from an exiting the struggle, from a historical movement going on under our very eye.

To economic facts they attributed an importance altogethe transcending their influence in the economic sphere. Their belief va that the several links which unify the many-sided activities of society, whether in politics, literature, art, morality, or religion, are ultimately referable to some economic fact or other. None of them but it based upon a purely economic consideration Most important of all are the facts relating to production, especially to the mechanical instrument of production and their operation. If we take, for example, the production of bread and the successive stages through which the mechanical operation of grinding has passed from the hand-mill of antiquity to the water-mill of the Middle Ages and the steam-mill of to-day, we have a clue to the parallel development of society from the family to the capitalistic system and from the capitalistic to the trust, with their concomitants slavery, serfidom, and proletarianism. This silveds a fee better explanation of the facts than any bourgeois cant about the growth of freedom" or humbug of that nature. These are the real foundations upon which every theory has to be reared. This material istic conception of history, implying as it does a complete philo of history, is no longer confined to the purely economic domain.

A therete they change they method of production men also change they send outdook. "The head-mill gave us the weigh State; the steam-mill fact of the send outdook." the measurement of the industrial capitalist State of States de la Philosophia, and ed. p. 145. so use incusaria, capitalist State (State & la Philosophi, and ed., p. 191).

Otropostoj phrase circiaina a pieturepus antibasu (alber than a scientific for of hasered materialism. In his preface to his Knisk der philander Odessen M. expenses human failing in the preface to his finet ar phinake Danses or manage of that the much more medication. The filtrening is the most importapassage of that relebrated page

The the course of their effects at production men enter into certain definite an percently relations which may be wholly independent of their own individual nationary reasons with may be wholly independent of their own nonrounded during form. The many the wholly independent of their own nonrounded during form. deraye force. Taken together, all these links constraints to the state of the process. I see that the links constraints the economic structure of the state of th secure to other words, it supplies a bass upon which the bright and point shorters with the supplies a bass upon which the bright and point along the supplies a bass upon which the bright and point along the supplies as the supplies a bass upon which the bright and point along the supplies as the supp SERRY 10 other words, it supplies a base upon which the legal and policed work structure as exact and corresponding to it are extent usual forms which the Server's, fact the social police is made of prolying commonly, goal of Server's, fact the social police is not instructural process of the A made and the server's and instructural process of the A made and the server's server that the both of the world decreases the server's server that the server that street has less to due with determining his manner of his A man) and the court of the state has been meaner of his than has been been meaner of his state of the state of the

Taken in the vulgar sense, it seems to involve the exclusion of every noral and every humanitarian consideration. As Schäffle put it in hat oft-quoted phrase of his, it means reducing the social question to "mere question of the belly." The French socialists find the doctrine omewhat difficult to swallow, and they hardly display the same reverence for Marx as is shown in some other countries.1

The orthodox Marxians immediately proceed to point out that such criticism is useless and shows a complete misunderstanding of Marx's position. Materialism in the Marxian sense (and all his terms have a Marxian as well as the ordinary significance) does not exclude idealism, but it does exclude ideology, which is a different thing. No Marxian has ever advocated leaving mankind at the mercy of its economic environment; on the contrary, the Marxian builds his faith upon evolution, which implies man's conscious, but not very successful, effort to improve his economic surroundings 1 The materialistic

The word 'faxes,' even when qualified by 'speaking generally,' seems a little pronounced, and Marxism has substituted the term 'explained,' which is somewhat nearer the mark. Labriola says that "it merely represents an attempt to explain historical facts in the light of the economic substructure." (Conception materialists, p. 120.) This materialistic conception is developed in a very paradoxical fashion in Loria's

La Constitution sociale. He shows how all history and every war, whether of Guelph or of Ghibelline, the Reformation and the French Revolution, and even the death of Christ upon Calvary, rest upon an economic basis. In Loria's opinion, however, this basal fact is not industrialism, but the various types of land systems. See our chapter on Rent. It would not be correct to regard Marxism as a mere expression of fatalism or

out-and-out determinism. The Marsian pretends to be, and as a matter of fact be really is, a great believer in will-power. Once the workers see where their interests really lie he would have them move towards that goal with irresistable strength. It is not always even necessary to define the end quite clearly before beginning to move. "Everything that has happened in history has, of course, been the work of man, but only very rarely has it been the result of deliberate choice and well-considered planning on his part" (Labriola, Conception materialiste, p. 133) Elsewhere "The successive creation of different social environments means the development of man himself." (Ibid , pp. 131-132.)

It would be beyond the scope of this work to enter into a metaphysical ducussion of these theories, however much one would like to 1 See the works of Jaurès, Études socialistes, George Renard, Le Régime socialiste,

Fournière, L'Indudus, l'Association, et l'État Labriola, op est. Vandervelde (L'Idialisme Marxuste, in La Renue socialiste, February

1904) says that "upon final analysis it will be found that Marx's whole argument rests upon a moral basis, which is that justice requires that every man should get all that he produces." Landry, in a book of lectures delivered by different authors entitled Etudes sur

la Philosophie morale au XIX Siècle (p. 164), is of an eatirely different opinion. He thinks that Marx's moral basis is simply potentiality. In other words, everything that has been created in the ordinary course of economic development is moral, everything that has been destroyed is immoral.

conception of history apparently is simply an attempt at a philosoph of human effort. Criticism of such elusive doctrines is not a ver easy task.

(c) The socialism of Karl Marx is exclusively a working-than goopel. This is its distinctive trait and the source of the power it wields. To some extent it also explains its persistence. Other socialist systems have been discredited and are gone, but the Marsian gapel-so longer, of course, the sublime masterpiece it was when its author first expounded it—has lest none of its ancient vigour, despite the may transformations which it has undergone. The socialists of the first half of the nineteenth century embra

men without distinction, worker and bourgeois alike, within broad humanitarian schemes. Owen, Fourier, and Saint-S reckoned upon the co-operation of the scaliby governing class found the society of the future. Marxim implies a totally diffe tlandpoint. There is to be no attempt at an understanding with bourgeoise, there must be no dallying with the unclean thing a the prohibition is to apply not only to the capitalitts, but also to the intellectuals and to the whole hierarchical superstructure that untall goes by the name of officialdom. Real socialism aims at nothing but the welfare of the working classes, which will only become possible when they attain to power. It may, of course, be pointed out that socialism has always involved

some such struggle between rich and poor, but it is equally correct to say that the battle has hitherto been waged over the question of its distribution. Beyond that there was no issue. But in the Marsian Octrine the antagonism is dignified with the name of a new scientific w, the class war —the worker against the capitalist, the poor versus e rich. The individuals are the same, but the casus belli in Terent. 'Class war' is a phrase that has contributed not a lit

the success of Marxism, and those who understand not a single t of the theory—and this applies to the vast majority of working me will never forget the formula. It will always serve to keep the pow dry at any rate.

Class war' was not a new fact. "The history of all hitherto en Hence the alliance of the Marsians with what appear to be a directly opposite \*\*Interest the attainer of the Marsians with what appears to be a duretty opportunities.

James and Bergson (see Guy Grand, Le Philosph

Manifest It is impossible to do away with the intellectuals altogether, but they be reduced to the last terms regarded. has been supposed to a impossible to do away with the intellectuals altogether, but they overlation as the sended on the rank of more wage-carner. \*The Marsians always regarded to the rank of more wage-carner. \*The Marsians always regarded to the rank of the sender of was or reduced to the rank of mere wage-earners. "The Marsians shows required as the pecial privilege of the producers, by whom, of course, they under the meaning of the producers, by whom, of course, they under the course of the producers of t routing as the pecial privilege of the producer, by whom, of course, they used the manual workers, who, accustomed as they are to nothing but the factor, who, the producers are the producers when the producers with the pro own the manual workers, who, accustomed as they are to nothing but the there, fine, would force the intellectuals also to supply some of the more ordinary wants (Soral, Disampusions de Mercinos, p. 5.1.)

g society is the history of class struggles." But although it has always disted, it cannot continue for ever. And the great struggle that is wow drawing nigh and which gives us such a tragic interest in the hole campaign will be the last. The collectivist regime will destroy the conditions that breed antagonism, and so will get rid of the classes the members. Let us note in passing that this prophecy is not without strong tinge of that Utopian optimism which the Marxians considered // which a weakness in the earlier French socialism.

A final distinction of Marxism is its purely revolutionary or attatrophic character, which is again unmittakably indicated by its adoption of 'class war' as its watchword. But we have only to remind purelves that the adjective 'revolutionary' is applied by the Marxians to ordinary middle-class action to realize that the term is employed in a somewhat unusual fashion.

in a somewhat unusual fashion.

The revolution will result in the subjection of the wealthier classes by the working men, but all this will be accomplashed, not by having recourse to the guildtoine or by resorting to street rioting, but in a perfectly peaceful fashion. The means may be political and the method even within the four corners of the law, for the working classes may easily acquire a majority in Parliament, seeing that they already form the majority of the electors, especially in those countries that have adopted universal suffage. The method may be simply that of economic associations of working men taking all economic services into their own hands \*

into their own hands <sup>1</sup>
The final catatrophe may come in yet another guise, and most Marxians seem to centre their hopes upon this last possibility. This would take the form of an economic crisis resulting in the complete overthrow of the whole capitalist regime—a kind of economic field \*\*C. \*\*Line We have already noted the important place which crises hold in the 40 \*\*Marxian doctrines.\*\*

That if Marxism does not necessarily involve resort to violence, violent methods are not excluded. Indeed, it considers that some measure\_of struggle is inevitable before the old social forms can be

Monifort, pare. 2. It is necessary that we should be remarked of the fact that It Santi-Smoothess had already emphasared the natasymient by speaking, not of jirls and poor, but of silers and workers. The differentiation, that is to say, was conomic. The Marian admiration in quite different, do within the category workers the Saint-Smoothess included bankers and employers, for example, who are cardued the Saint-Smoothess than the order of the saint-Saint-Smoothess than the column to include on than the ordernary worker.

The first of these means, namely, the acquiring of public works by the State, as spoken of as unified socialism in France, whereas the second, which relies upon direct action without the assistance of any political organization, is known as syndicalism and is represented by the Confederation generale du Travail (see p. 481).



### THE NEO-MARXIAN REFORMISTS

If we take Marx's economic theories one by one as we have done. e shall find that there is nothing very striking in any of them, and at even the most important of them will not stand critical scrutiny. e might even go farther and say that this work of demolition is artly due to the posthumous labours of Marx himself. It was the ublication of his later volumes that served to call attention to the rious contradiction between the later and the earlier sections of his ork. Marxism itself, it seems, fell a prey to that law of self-destruction hich threatened the overthrow of the whole capitalistic regime. ome of Marx's disciples have, of course, tried to justify him by claimor that the work is not self-contradictory, but that the mere enumeraion of the many conflicting aspects of capitalistic production strikes he mind as being contradictory. If this be so, then Kapital is just a ew edition of Proudhon's Contradictions économiques, which Marx had reated with such biting ridicule. And if the capitalist regime is really o full of contradictions that are inherent in its very nature, how lifficult it must be to tell whether it will eventuate in collectivism or not and how very rash is scientific prophecy about annihilation and a anal catastrophe!

With the beginning of the twentieth century the fundamental theory of Marxism, that of labour-value, was abandoned by a great number of modern Marxians, who were gradually veering round and adopting either the 'final utility' or the 'economic equilibrium' theory. 1 Lyer Marx himself, despite his formal acceptance of the labour-value theory is constantly obliged to admit-not explicitly, of course-that value depends upon demand and supply 4 Especially is this the case with

<sup>1</sup> Labriola, Socialisms et Philosophis, p. 29. Others declare more unmistakably stil that "these obscure formulæ [the writer is thinking of surplus labour] lead to equivoca tion and must be banished from the science altogether." (Sorel, Revue international de Sorulogie, 1900, p 270)

M. Sorel says of the revolutionary movement that everything connected with i

s very improbable. (Décomposition du Marxisme.)

The Italian syndicalist Arthur Labricle (Rerus socialute, 1889, Vol. I, p. 674
writes as follows: "While we Marxianas are trying to repatch the master's clos political economy is making some headway every day. If we compare Marx's Kapite with Manhall's Proceptes—chapter by chapter, that is to say—we shall find that proteins which required a few hundred pages in the Kapital are solved in a few lines b Marghalt," B. Croce (Materialismo storico ed Economia marxistica, 1900, p. 105) write thus: "I am strongly in favour of economic construction along Hedonistic lines Bu that does not satisfy the natural desire for a sociological treatment of profits, an such treatment is impossible unless we make use of the comparative consideration suggested by Marx " Lastly, Sorel, in Soggs & Critica del Marzismo (1903, p. 13) says

"It is necessary to give up the attempt to transform socialism into a science." Especially in that passage to which Bernstein calls attention: "According to the law of value not merely must one devote the socially necessary amount of time to th 476

profits, as we have already had occasion to remark. What appear an indiputable axiom in the first volume is treated as a mere were hypothesis in the later ones.

But seeing that the other Marxian doctrines—the theories of surplivalue and surplus labour, for example—are mere deduction for the principle of labour-value, it follows that the overhow of the first principle must involve the rain of the other two. If labour does not necessarily create value, or if value can be created without library then there is no proof that labour always begges a surplus value and that the capitalist's profit must largely consist of unremunerated labor. the Neo-Marxians in reply point to the fact that surplus labour sel surplus value do ectit, che how could some individuals live without working? They must obviously be dependent upon the labo others. All this is very true, but the fact had been announce Samondi long before, and the evil had been denounced both by and the English critics. It is the old problem of uncarned increme which formed the basis of Saint-Simon's doctrine and Rolleris theory, and which was taken up by the English Fabians.

Is a difficult to see what definite contribution Marx has made a the question, and the old problem as to whether worken are really exploited or not and whether the revenuer obtained by the so-called edle clause correspond to any real additional value contributed by thermschee still remains unsettled. We can only say that his historial Caposition Contains several very striking instances which seem to proce this exploitation, and that this is really the most solid part of his work

l'aning on to the law of concentration—the vertebral redum of the Marsian doctrine—we shall find upon examination that it is in an equally pitrous condition. The most unpuring critic in this case has been a socialist of the name of Bernstein, who has adduced a great number of facts\*-many of them already advanced by the older

from attent of each commenter, but such group of commenties must have selven The special point of the formatily, but such group of communities must have recommended in the special point of the communities of the communities or the character of the density of of the dens regions. The East condition of sales a sales of the connector or the character of the symmetric data as value in an example of the sales as sales or the sales and are sales of the sales as the sales are sales of the sales are sales or the sales are sales are sales or the sales are sales or the sales are sa The control of the co remove, a same in one remail to such a degree of potentiality as shall determine the same of the same and same as said of the various bonds of production = 16 pts.  $i = m_j$ 

on the section of the advanced makes at informable to treat the theory at commence to the section of the sectio Company or Account.

The adjustment through pay he have as a may be take, but that will never a may be take, but that will never the many to take the contract of the contract des rome to the statement design must be used as at may be faire, but that will now comment to the statement of sufficient because I splan belows a a last at expense to the statement be at the statement because the statement b The second of the experience of purples before Social below is a last of theorem. It was a last of the experience of the second of the experience of the exp I medicate be elementation, and projuce as defining proof. "Because or in-ternal likes of the first is using the first and the project of the case the state of the first is using the first and antiferrate a probate for the first case the state of the first internal likes are stated for the first of the the day when the first is being gave the based participated a probat better on or the based of the probability of the probability as the story of the order based on the based of the order based the way of the day bee

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conomists—which go to disprove the Marxian theory, and which may se summarized as follows. It may be impossible to deny that the number of great industries is increasing rapidly and that their power is growing even more rapidly than their numbers, but it certainly does not seem as if the small proprietors and manufacturers were being ousted. Statistics, on the contrary, show that the number of small independent manufacturers (the artisans who, according to Marxian theory, had begun to disappear as far back as the fourteenth century) is actually increasing. Some new invention, such as photography, cycling, or the application of electricity to domestic work, or the revival of an industry such as horticulture, gives rise to a crowd of small industries and new manufacturers.

But concentration as yet has scarcely made an appearance even in agriculture, and all the efforts of the Marxians to make this industry fit in with their theory have proved utterly useless. America as well as Europe has been laid under tribute with a view to supplying figures that would prove their contention. The statistics, however, are so confusing that directly opposite conclusions may be drawn from the same set of figures. The amount of support which they lend to the Marxian contention seems very slight indeed. On the whole they may be said to lend colour to the opposite view that the number of businesses is at least keeping pace with the growth of population. Were this to be definitely verified it would set a twofold check upon the Marxian theory. Not only would it be proved that betite culture is on the increase. but it would also be found that it is on the increase simply because it is more productive than 'the great industry' But suppose for the sake of hypothesis that we accept the law of

concentration as proved. That in itself is not enough to justify the Marxian doctrine. To do this statistics proving an increasing concentration of property in the hands of fewer individuals are also necessary; but in this case the testimony of the figures is all in the opposite direction. We must not be deceived by the appearance of that remarkable species the American millionaire. There are men who are richer than the richest who ever lived before, but there are also more men who are fairly rich than ever was the case before. The number of men who make a fortune-not a very great one, perhaps, but a moderate-sized or even a small one-is constantly growing. Joint-stock companies, which according to the Marxian view afforded striking evidence of the correctness of his thesis, have, on the contrary, resulted in the distribution of property between a greater number of people, which proves that the concentration of industry and the centralization of property are two different things. Or take the wonderful development



apply to the case of wealthy landowners and manufacturers on a large scale—to those who employ salaried persons. But the property of the man who is supporting himself with the labour of his own hands will always be respected. The Marxians defend themelves from the reproach of self-constradiction and opportunism by stating that their action is strictly in accordance with the process of evolution. You begin by expropriating those industries that have arrived at the capitalistic and wage-carying stage. The criterion must be the presence or otherwise of a surplus value.

The conclusion is logical enough, but one would like to know what is going to become of the small independent proprietor. Will he be allowed to grow and develop alongside of the one great proprietor—the State? We can hardly imagine the two systems coexisting and hopeleasly interningled, as they would have to be, but still with freedom for the individual to choose between them. The collectivists have at any rate made no attempt to disguise the fact. They look upon it merely as a temporary concession to the cowardice of the small proprietor, who will presently willingly abandon his own miserable bit of property in order to share in the benefits of the new regime, or who will at any rate be put out of the running by its economic superiority. But since the prospects do not seem very attractive to those immediately concerned, it may be as well to dispense with any further consideration of the subject.

But there is another question. What has become of the class struggle in Neo-Marxium? The doctrine, though not altogether denied, is no longer presented as a deadly dual between two classes and only two, but as a kind of confused milite involving a great number of classes, which makes the issue of the conflict very uncertain. The picture of society as consisting merely of two superimposed layers is dismissed as being altogether too elementary. On the contrary, what we find is increasing differentiation even within the capitalist class itself. There is a perpetual conflict going on between borrower and lender, between manufacturer and merchant, between trader and landford, the last of which struggles is especially prominent in the annals of politics. It has a long history, but in modern times it has taken the form of a political battle between the Conservative and Liberal parties.

These undercurrents complicate matters a great deal, and on occation they have a way of dramatically merging with the main current, when both parties seek the help of the proletariat. In England, for example, the manufacturers succeeded in repealing the Corn Laws, which dealt a hard blow at the landed proprietors, who in turn passed have regulating the conditions of labour in mines and factories. In



fessed disciples found a fresh opportunity of reviving its ideals and of justifying its aims in a new movement of a pre-eminently workingclass character known as Syndicalism.

Our concern is not with the reformist movement, occasionally spoken of as Trade Unionism, which constitutes the special province of M. Bernstein and the Neo-Marxians of his school,1 but rather with militant syndicalism, which as yet scarcely exists anywhere except in France and Italy, and which in France is represented by the Confédération générale du Travail.

What connexion is there between Marxism and syndicalism? Of conscious, deliberate relationship there is scarcely any. The men who direct the Confédération have never read Marx, possibly, and would hardly concern themselves with the application of his doctrines. On the other hand, we have been told by Sorel that the programme of the Confédération générale du Travail (C.G.T.) is in strict conformity with the Marxian doctrine; that since the reforming passion has so seized hold of the Neo-Marxians as to drive them to undermine the older doctrine altogether, it is necessary to turn to the new school to find the pure doctrine. They make the further claim of having aroused new enthusiasm for the Marxian doctrines.

(a) Firstly, Georges Sorel and his followers have re-emphasized the essentially proletarian character of socialism. Not only is there to be no dealing with capitalist or entrepreneur, but no quarter is to be given to intellectuals or politicians. The professional labour syndicate is to exclude every one who is not a workman, and it has no interest at heart other than that of the working class,\* Contempt for intellectualism is a feature of Marxism, and so is the emphasis laid upon the beauty and worth of labour, not of every kind of labour, but merely of that labour. which moulds or transforms matter-that is, of purely manual labour. No institution seems better fitted to develop class feeling-that is,

<sup>1</sup> This point of view is very neatly expressed in an article of M. Berth's (Moscomest socialists, May 1908, p. 393): "From a purely negative or critical point of view we agree with Bernstein rather than the orthodox Kautsky. But what does Bernstein propose to substitute for the revolutionary ideal-impracticable as it was of the German Social Democratic party? The alternative offered is a simple democratic. reformist evolution, a political or economic development which would just be a pale inutation of the bourgeous Liberal regime, which it is hoped would result in the emancipation of the workers by getting rid of bourgeois Liberalum altogether. The complete democratization of politics and economics would, it is boord, effect the necessary improvement. On this point we syndicalists must definitely part company with Bernstein and his emfrirer, for what we want is not a mere evolution, but a

revolutionary creation of new social forms." "An organization of producers who will be able to manage their own affairs without having recourse to the superior knowledge which the typical bourgeois is suppresed to present." (Sorel, Disemposition de Marsure, pp. 60-61.)



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the sense of community of interests binding all the proletarians together against the owners—than the Indicat. Organization is necessary if occial consciousness is to develop. This is as true in the economic as it is in the biological sphere, and this is why the spaces is just what was needed to transform the old socialistic conception into real socia Marx could not possibly have foreseen the vast potentialities of Andreas. If he had only known it how his heart would have rejoic The Neo-Marxians can never speak of syndicalism without going it raptures. No other new source of energy seems left in this tottern middle-class system. But syndicalism has within it the promise of new society, of a new philosophy, even of a new code of moralin which we may call producers' ethics, which will have its roots in

Professional honour, in the joy that comes from the accomplishment of some piece of work, and in their faith in progress. (6) New stress has been laid upon the philosophy of class war, and a fresh appeal has been made for putting it into practice. The only real, sensible kind of revolution is that which must somer or later tale place between capitalists on the one hand and wage-earners on the

other, and this kind of revolution can only be effected by appealing to class feeling and by resorting to every instrument of conflict, strik-Open violence, etc. All attempts at establishing an understanding wi the bourgeois class, every appeal for State intervention or for con cessions, must be abandoned. Explicit trust must be placed in the method of direct action.

Strife is to be the keynote of the future, and in the pending struggle every trace of bourgeois legalism will be ruthlessly swept saide. The 1 Revolutionary syndicalism is the great educative force which contemporary

society has at its disposal to prepare it for the tasks which await it." (Sort, Referen To the Street, which is the street with the street will remain into the street with the street will remain into the street will remain into the street will be street will This will be what is generally known as the profession new and powerful was remain measurements that is generally known as the profession and which it is kepted with the state of the stat and win or want it generally almost as the professions now, which it is improved the general reassessment of moral values, but that will depend on the energy of the state of the control of the control

displayed by the workers in resume the corruption of the bourgrant and in merity superprise by the moraris to retaining the coursymon or the coursymother advances with the most unmatakable heatility." (Mod., p. 233) It is allogether a different point of view from that of the consumer, the share or the consumer of view from that of the consumer, the share or the consumer of view from to be surgerupe a culterent point of view from that of the communer, the sour-lessure, or to "history adder," who are only interested in the success of buyers' social

This increase struggle is what Sort has arrand violence, which he think is a struggle in that the struggle in that the struggle is the struggle in that the struggle is the struggle in that the struggle is the struggle in t peculiarly healthy. "I have shown," says he, "that preferring whence we are not completely different statements with the profession whence has an analysis of the profession whence has an analysis of the profession with the pro pressuring measury. I have though days he, "that prolessing vocame on measuring different significance from that untally attributed to it by politicate and measure students of severe n. 1. matters and an advance from that usually attributed to it by posturate as-matters and of slorery. It is incorrect, however, in my that he is in favour of substance, "Substance of slorery," he was the substance of slorery than the slorery and the second of the second o seconder. Ostoriage, says Norel, "belongs to the old regime, but does possing or set the worker to the way of emancipation." (Monomer metalist, 1975, November 1

One cannot fail to see the antagonism which exists in France between the Socialism Voie cannot tai to see the antegonism which exist in France between the documents of the form the old Marsian purp) and the syndicians who condoms both universal suffrage and parlamentary action.

fighting spirit must be kept up, not with a view to the intensification of class hatred, but simply in order to hand on the torch.

The struggle has hitherto been the one concern of the revolutionary syndicalists. Unlike the socialists, they have never paid any attention either to labour or to social organization. All this has, fortunately, been done by the capitalist, and all that is required now is simply to remove him.1

(c) Nor has the catastrophic thesis been forgotten. This time it has been revived not in the form of a financial crisis, but in the ruise of a general strike. What will all the bourgeois generalship, all the artillery of the middle class, avail in a struggle of that kind? What is to be done when the worker just folds his arms and instantly brings all social life to a standstill, thus proving that labour is really the creator of all wealth? And although one may be very sceptical as to the possibility of a general strike—the scepticism is one that is fully shared in by the syndicalists themselves still this "myth," as Sorel calls it, must give a very powerful stimulus to action, just as the Christians of the early centuries displayed wonderful activity in view of their expectation of the second coming of Christ.

The word 'myth' has been a great success, not so much among working men, to whom it means nothing at all, but among the intellectuals. It is very amusing to think that this exclusively workingclass socialism, which is not merely anti-capitalist, but also violently anti-intellectual, and which is to "treat the advances of the bourgeoisic with undisguised brutality," is the work of a small group of 'intellectuals' possessed of remarkable subtlety, and even claiming kinship with Bergsonian philosophy. A myth, perhaps! But what difference is there between being under the dominion of a myth and following in the wake of a star such as guided the wise men of the East, or being led by a pillar of flame or a cloud such as went before the Israelites on their pilgrimage towards the Promised Land? Such faith and hope

<sup>&</sup>lt;sup>1 at</sup>One no longer thinks of drawing up a scheme which shall determine the way in which people in the future are to seek their own well-being. The problem now is bow to complete the revolutionary education of the proletanan." (Sorel, Diemphan-tion of Marian, unreduction, p. 37) <sup>2</sup> This group was represented by the review called Le Alouenest socialists, which was

controlled by M. Lagardelle Sorel withdrew from the group and at the end of hu life was leading a campaign in favour of Catholic nationalism.

The literature of syndicalism is very extensive We have already mentioned M. Guy Grand's La Philosophie proficuliste

<sup>8</sup> Referious nor la Fiolines, p. exev. We must note, however, that Sorel protests against any confusion being made between the myth as be understands at and Utopian socialism. The myth is obviously superior in the fact that it cannot be refuted, steing that it is merely the expression of a conviction. See pp. axv and 218 of the same work.

century, such a conception of progress which swells is follower with a generous, almost heroic passion, puts us out of touch with the historic materialism so dear to the heart of Marx and brings us into line with the earlier Utopian socialists whom he so genuinely depixed. Sorel recognises this, "You rarely meet with a pure myth," says he,

"without some admixture of Utopianism."

### Book V: Reconstruction of Doctrines at the End of the Nineteenth Century and Birth of Social Doctrines

The forty years of almost uninterrupted peace in Europe following the Franco-German War were marked in the history of doctrines by a great reconstruction both of economic theory and of social doctrines.

In the realm of theory there was a veritable revolution in methods and concentions. At the very moment when historians and State Socialists were proclaiming their contempt for all abstract speculation a brilliant attempt was being made in France, in England, and in Austria to establish economic theory on new foundations. Three great names stand out pre-eminently: Walras in France, Menger in Austria, and Jevons in England. By concentrating on the concept of utility, too much neglected since the days of Condillac, and following Cournot in their use of mathematics, these writers replaced the too elementary simplifications of the classical school by the concepts of economic equilibrium and mutual dependence of prices. These ideas, developed later in Italy, Austria, the United States, and England by economists like Pareto, Marshall, Edgeworth, Böhm-Bawerk, and Fisher, gradually won their way to recognition, though not without somewhat prolonged resistance in Germany and France. They led to original research in all directions, and ended by dominating economic thought and teaching in the principal countries of the world. Those who initiated them became the real 'classics' for later generations of economists, and their prestige definitely eclipsed that of Ricardo and Mill

At the same time there was taking place a reconstruction of social doctrines. Throughout this princip, of course, the number of adherents of State Socialism and Marxism continued to increase, but a reaction showed itself in several directions against the two fundamental ideas that inspired both these doctrines: the class was in the one case and takins in the others. While they both sought a solution of the problems raised by the claims of the working classes, some doctrines proclaimed, in opposition to the Marxism class conflict, the principle of class union, while others demanded a measure of freedom from of

RECONSTRUCTION OF DOCTRINES State restrictions even more radical than that demanded by the

In the first place Christianity, long absent from the arena of social in the first paste consulantly, long about from the artist of so-discipling, made a builtant return to it through the champions of the then great Christian faiths, the Catholic and the Protestant. Notice is more opposed to the idea of the class conflict than the teachin Christianus, based entirely on the idea of charity. Is not this b titing enough to form the foundation of a social doctrine brief. hope to the poorest clause of an improvement in their lot, and remin ing the more fortunate of the too often forgotten duties that than enjours? That is what many generous-hearted men were thinking is various countries, almost at the same time. A Christian social detrine would obviously be a doctrine of union, supported by aspirators Common to workers and employers alike. It would find the solution of social problems in the fervour of a revised Christian sentiment and the eapproximent that results from it. For the most consensative can no longer ignore the gravity of these problems. Even in the preceding period surious mighty voices had been raised in support of thee ideas but they met with little response in an age of bloody social strife. The belated flowering of such doctrines in all their glory did not come all the end of the nineteenth century, when Pope Leo XIII bestowed or them his authoritative consecration. All the Christian churches were more or less inspired by them, and their place should therefore be in

The idea of a union of classes instead of their deep-rooted antagonism was to find an echo in other quarters besides the consciences of Christian men. Among the great body of the indifferent, or of thinkers aloof from the traditional religious faiths but permeated by the individualist ideas of the French Revolution, there were some who felt the need of a principle that would reconcile these ideas with the admitted necessity of social reform. The question was how to incor-Porate in formule declaring above all the nght of the individual, new formulæ applying on the contrary to his dutier, and justifying the sacrifices that the State might require him to make. From these Considerations emerged the doctrine of 'Solidarium,' which has led increasingly in democratic countries to legislation similar to that which State Socialism has put into effect in authoritarian States. Another effort to reconcile liberalism with socialism is seen in the

attempts made to draw from Ricardo's theory of rent conclusions favourable to a more equitable distribution of the social product. The theory of rent covers all incomes produced by economic progress of its own motion: they cannot be attributed to the labour or taxing

of any one particular agent. They result from the dynamic tendency inherent in all societies, whereas the theory of equilibrium implies a state society. By being continually created anew they introduce variety and change into an economic system that pure theory regards as tending to stability and uniformity.

Could not part at least of these incomes be restored to society, so that society, which is their real author, should also benefit by them? The reply to this question is given in systems of land nationalization and those still wider plans which aim at confiscating all incomes analogous to rent. This was a strange attempt at reconcling liberalism with socialism and establishing a more equitable distribution of incomes without restricting freedom and composition among entrepreneurs.

The doctrine that opposed these attempts at reconciliation was entirely different. In opposition to the authoritarian trend of socialism it carried to their extreme limits the liberal tendencies that emerged from the French Revolution, and gave expression to the old revolutionary and individualist spirit that was always active, especially in the Latin countries. A strange rebirth of liberalism was apparent at this time among the working classes, but it was undoubtedly oute a different liberalism from that of its founders. It was harsher in its mode of expression, and Smith and Bastiat would certainly have repudiated it. So to avoid confusion with the older liberal doctrine it was called "libertarian." But for all that it is none the less genuine: it is anarchism. This libertarian, or anarchist, tendency, already perceptible in the International, eventually obtained an ever clearer ascendancy over the working classes and left its mark on the syndicalist movement in France and Italy. At the same time a kind of philosophical and moral anarchism appeared among middle-class writers and seemed to presage a rebirth of individualism.

Such, then, are the principal doctrinal currents which, under the lavourable influence of the prolonged peace that followed the Franco-Grman War, showed the trend of thought among writers who were interested particularly in social reform. Almost all of them had their roots in writers of earlier periods, but their full brilliance and penetrating power belong to the period we have now to examine. It was not till a yet later period—after the First World War—that men returned with new ardour to the great problems of production and exchange that had engroused the attention of the 'founders'. And it was to the impoversimente caused by so prolonged a conflict, as in the earlier period after the Napoleonic Wars, that these problems oved all their importance.

# CHAPTER I: THE HEDONISTS

### I: THE PSEUDO-RENAISSANCE OF THE CLASSICAL SCHOOL

Is we are to give this new doctrine its true setting we must return to a moment to our study of the Historical school. The criticism of that school, as we have already seen, was directed chiefly against the method of the Classical writers. The faith which their predecessor had placed in the permanence and universality of natural Luc was Scornfully rejected, and the possibility of ever founding a science upon a chain of general propositions emphatically denied. Political economy, so it was decreed, was henceforth to be concerned merely wi classification of observed facts.

It would not have been difficult to foretell that the swing o pendulum-in accordance with that strange rhythm which is a feature of the history of thought—would at the opportune mon cause a resertion to the abstract method. That is exactly what h Pened. Just at the moment when Historical study seemed to friumphanily forging ahead—that is, about the years 1872-74—Sect. eminent economists in Austria, England, Switzerland, and America suddenly and simultaneously made their appearance with an emphatic demand that political economy should be regarded as an independent telence. They brought forward the claims of what they called pure economics. Naturally enough there ensued the keenest controvery between the champions of the two schools, notably between Professor Schmoller and Karl Menger.

The new school had one distinctive characteristic. In its watch by a bass upon which to build the new theory it his upon the general principle that man always seeks pleasure and avoids pain, getting as much of the former with as slight a dilution of the latter as he penuls can. A Let of such great importance and one that was not confined to the field of economic activities, but seemed present everywhere throughout nature in the guase of the Jaineighe of least retainer. could searcely have escaped the notice of the Classical theorist. They had referred to it simply as "personal interest," but today we speak of it as Hedonum, from the Greek fary (pleasure or agreealbree) I appraise and pass are underhandly the alimate of you of the raticular of non-

the A To state, but when we the attended by the alternate of period the rate that at even-tually our when we the attended with the base offert, so present the presen-tion of the state of the attended with the base offert, so present the present worker. and to state our whose to the edited with the least office, to prove the pre-movable of which is described at the expense of the least that is understoke, as also which is making a factor, as the response of the least that is understally in more states of the second of the sec Poland France, p. 42/

Hence the name Hedonists, by which we have chosen to designate these two schools.

The elimination of all motives affecting human action except one does not imply any desire on the part of these writers to deny the existence of others. They simply lay claim to the right of abstraction, without which no exact science could ever be constituted. In other words, they demand the right of eliminating from the field of research every element other than the one which they wish to examine. The study of the other motives belongs to the province of other social sciences. The hams economicar of the Classicals which has been the object of so much derision has been replaced on its pedesaal. But it has in the meantime undergone such a process of simplification that it is scarcely better than a mere abstraction. Men are again to be tracted as forces and represented by curves or figures as in treaties on mechanics. The object of the study is to determine the interaction of men among themselves, and their reaction upon the external world.

We shall also find that the new schools arrive at an almost identical conclusion with the old, namely, that absolutely free competition alone gives the maximum of satisfaction to everybody. Allowing for the differences in their respective points of view, to which we shall refer later on, what is this but simply a revival of the great Classical tradition?

Little wonder, then, that we find a good deal of sympathy shown for the old Classical school. Indeed, it is throughout regarded with almost filial piety.<sup>1</sup>

This does not mean that the Classical doctrine is treated as being wholl beyond reproach, although it does mean that the new school could scarcely accuse it of being in error, seeing that it comes to similar conclusions itself. But what it does lay to the charge of the older writers is a failure to prove what they assumed to be true and a tendency to be satisfied with a process of reasoning which too often meant wandering round in a hopeless circle. Especially was this the case with their study of causal relations, forgetting that as often as not cause was effect and effect cause. The attempt to determine which is cause and which effect is clearly fuller, and the science must ret content with the discovery of uniformities either of sequence or of occasitence.

This applies especially to the three great laws which form the frame work of economic science, namely, the law of demand and supply, the

<sup>1 &</sup>quot;The errors of the Classical school are, so to speak, the ordinary diseases of the childhood of every science" (Bohm-Bawerk, The Austrian Economist, in Annals of the American Academy of Political and Social Science, January 1891)

law of cost of production, and the law of distribution, none of which is independent of the others. Let us review them briefly, The law stating that "price varies directly with demand and in-

are taw stating that price varies directly with supply a possessed just that degree of mathematical Precision necessary to attract the attention of the new writers. In fact, it just served for the passage from the old to the new economics. But no sooner was the crossing effected than the bridge was detroyed Little difficulty was experienced in pointing out that this so-called la which had been considered to be one of the axioms of political economy, the guid inconcurum upon which had been raued all the superstructure of economic theory, was an excellent example of that circular ressoning of which we have just spoken. There was a considerable futter among the economists of the mid-nineteenth century when they found themselves forced to recognize this. However true it may be that price is determined by demand and supply, it is equally true that demand and supply are each in their turn determined by the price, so that it is impossible to tell which is cause or which is effect. Stuart Mill had already noted this contradiction, and had attempted correction in the way already described (p. 364). But he was ignorant of the fact tha Cournot had completely demolished the formula by setting up another in its place, namely, that 'demand is a function of price." The substitution of that formula marks the inauguration of the Hedonisch calculus. Demand is now shown to be connected with price by a kind of secsaw movement, falling when prices rise and raing when prices fall. Supply is equally a function of price, but it operates in the opposite fashion, moving pari pattu with it—rising as it rises and falling as it falls. Thus price, demand, and supply are like three sections of one mechanism, none of which can move in isolation, and the problem is to determine the law of their interdependence.

This does not by any means imply that there is no longer any place in economics for the law of demand and supply. It has merely been given a new significance, and the usual way of expressing it nowaday is by means of a supply and demand curve, which simply inv translating Cournot's dictum into figures.

The same is true of the law stating that cost of production det mines value. There is the same petitio principii here. It is easy enou, to see, on the contrary, that the entripreses regulates his cost of produ tion according to price. The Classical school had realized this as b 23 one of the elements in the cost of production was concerned, for it was quite emphatic in its teaching that price determined rent, but that rent did not determine price. It is just as true of the other elel Racherches nor les Principes machinasiques de la thiorie des richesses.

PERUDO-RENAISSANCE OF THE CLASSICAL SCHOOL 401 ments. In other words, the second law is just as fallible as the first. It is obviously imperative that the vain quest for causal relations should be abandoned and that economists should be content with the

statement that between cost of production and price there exists a kind of equilibrating action in virtue not of any mysterious solidarity which subsists between them, but because the mere absence of equilibrium due either to a diminution or an increase in the quantity of

products immediately sets up forces which tend to bring it back to a position of equilibrium. This interdependent relation, which is extremely important in itself and upon which the Hedonists lay great store, is simply one example taken from among many where the value of one thing is just a function of another. Similar criticism applies to the law of distribution, to the Classical

doctrine of wages, interest, and rent. The way the Classical writers

treated of these questions was extraordinarily nalve. Take the question of rent. You just subtract from the total value of the product wages, interest, and profit, and you are left with rent. Or take the question of profit. In this case you will have to subtract rent, if there is any, then wages and interest, the other component elements, and what remains is profit. Böhm-Bawerk wittily remarks that the saving that wages are determined by the product of labour apparently only amounts to this—that what remains (if any) after the other co-operators have had their share is wages. Each co-partner in turn becomes a residual claimant, and the amount of the residuum is determined by assuming that we already know the share of the other claimants! The new school refuses any longer to pay honour to this ancient

trinity. It is impossible to treat each factor separately because of the intimate connexion between them, and their productive work, as the Hédonists point out, must necessarily be complementary. In any case, before we can determine the relative shares of each we must be certain that our unknown x is not reckoned among the known. This naturally leads them on to the realm of mathematical formulæ and equations. All the Hedonists, however, do not employ mathematics. The

Psychological school, especially the Austrian section of it, seems to think that little can be gained by the employment of mathematical formulæ. Some of the Mathematical economists, on the other hand, are equally convinced of the futility of psychology, especially of the <sup>1</sup> Let P = value of product and x, y, z represent wages, interest, and rent respectively then x + y + z = P, which is insoluble.

Nor does it seem much more hoofell when written out thus.

famous principle of final utility, which is the corner-stone of the Austrian theory, 1

For the sake of clearness it may be better to take the two branches -the Psychological and the Mathematical-separately.

## II: THE PSYCHOLOGICAL SCHOOL

The feature of the Psychological school is its fidelity to the doc of final utility, whatever that may mean. The older economists got hold of a similar notion when they spoke of value in me, instead of preserving the idea they dismissed it with a name, and was left to the Psychological school to revive it in its present glorife

It must not be imagined that the term is employed in the unail The theory of economic equilibrium a quite dutinet from the theory of feed utility, although the public are ap to confine them and to think that they are bod

The name varies a lattle with different authors and in different countries. The final degree of uthey's the term used by Jerons, 'marginal utility' by the American the intensity of the last standed wast! by Wilns. Welms also peaks of its search. which the term is a purply subjective fashion to denote insufficiency for precess and This very pletters of terms augment ensure to combe mannerery or prosessors.

A certain hardess of conception. The term from city protocols on cerna argicou a cernam fasticicas or conceptant. A communication of conceptant in the cerna fanal, although in some case it may be impossible to oust the latter,

It appears that the first suggestion of final utility in the sense in which it is employed by the Psychological school is due to a French engineer of the name of Dynamics of the Psychological school is due to a French engineer of the name of Dynamics of the Dynamics of Dynamics of the Dynamics of Dynamics of the Dynamics of Dyna He there out the migestion in two memors critical engages of the same see there were the suggestions in two premous critical to change of amount on some points (1644) Ann a Chais art roug a communication (1649), born or main wave-landed in the deading for Point of chainty, although their real importance was do without mad. succes in the summer ser run; if cannot, although their real importance was related until a long time afterwards. Govern also, whose book is refurred to on the control of 9 499, was one of the saliers to discover it. These two memoirs were republished in 15.3 — we want to take execute to discover it. After the memory were representatively all 15.3 in the collection of "unpublished or scatte economic works" educed to the reminent and the collection of the col by the eminent economist Lugi Einauch at Tutan.

as to present ours it was not expounded by Stanley Jerous in his Justy 9' (Manager and by Carl Menger in his Granduler day Hollawriedglidder (1871), 1812-19 conception of seasons and the seasons of the season tone (1974). Finally Cark, the American economist, in his Philosophy of Vide, which is a somewhat the data to the American economist, in his Philosophy of Vide, which has been a somewhat the data to the American economist, in his Philosophy of Vide, which has been a somewhat the data to the American economist, in his Philosophy of Vide, which has been applied to the American economist. to 6 a Somewhat later date (1891). Seems to have a strong or a simulation occurred to the strong of as a somewhat mere one (1601), seems to have arrived at a noniar common of the common art enturery uncrease menuture serinasasson committees which are by no means rare in the history of thought.

Depile in composition origin, the school is generally polen of as the Austrian charges the school is generally polen of as the Austrian school, because in most eminent representative a generally speace of as one dimensional states for the most part born Auritan. Among these we may mention Karl Menger, already referred to Proceedings of the lost the most part open remains Karl Menger, already referred to Proceed Sec. 1634. County uses we may necessary necessary necessary strongly reterred to processe use and of course telements for Monadatassary (801). Wester (the natural Wife, 1874). and of course Bohm-Barert (author of Greately de Thorn de stretchefisher to Talakaka a translation of Greately de Thorn de stretchefisher a translation and the stretchefisher and the Christopher Commencer Statement of Connecting or Theory are autocommenced and Individual for Manual America, 1886, and the well-known book on capital and interest).

Since 1900 the theory of marginal unity has found its most brilliant exponents in United 4:500 the United State. The American preference J. R. Clark, Fatter, etc. CATVET, Fetter, 1 cte American prefenor J. B. (2111, Fatter, 1 ring various not not not to text.) Feet and one students of national soulty, applying the concept tion not only to problems of capital and interest, but also to the question of duribution.

popular sense of something beneficial. All that it connotes is ability to satisfy some human want, be that want reasonable, ridiculous, or reprobatory. Bread, diamonds, and opium are all equally useful in this sense.1

Nor must we fall into the opposite error of thinking of it as the utility of things in general. Rather is it the utility of a particular unit of some specific commodity relative to the demand of some individual for that commodity, whether the individual in question be producer or consumer. It is not a question of bread in general, but of the number of loaves. To speak of the utility of bread in general is absurd, and, moreoever, there is no means of measuring it. What is interesting to me is the amount of bread which I want. This simple change in the general point of view has effectively got rid of all the ambiguities under which the Classical school laboured.

1. The first problem that suggests itself in this connexion is this: Why is the idea of value inseparable from that of scarcity? Simply because the utility of each unit depends upon the intensity of the immediate need that requires satisfaction, and this intensity itself depends upon the quantity already possessed, for it is a law of physiology as well as of psychology that every need is limited by nature and grows less as the amount possessed increases, until a point zero is reached. This point is called the point of satiety, and beyond it the degree of utility becomes negative and desire is transformed into repulsion. Hence the first condition of utility is limitation of supply.

So long as people held to the idea of utility in general it was impossible to discover any necessary connexion between utility and scarcity. It was easy enough to see that an explanation that was not

<sup>1</sup> To escape the confusion which would result from employing the same term in two such very different senses-a confusion that is inevitable however one may try to avoid it-Pareto has substituted the word 'ophelimity,' and Gide in his Principles (1883) 'desirability'

<sup>&</sup>quot;The idea of final utility is the 'open sesame,' the key to the most complicated phenomena of economic life, affording a solution of its most difficult problems." (Böhm-Bawerk, The Austrian Economists, in Annals of the American Academs of Political and Social Science, 1891.)

Condillac had already drawn attention to this fact (see p. 65), and Buffon had noted it even before that. "The poor man's coin which goes to pay for the necessaries of life and the last coin that goes to fill the financier's purse are in the opinion of the mathematician two units of the same order, but to the moralist the one is worth a louis, the other not a cent." (Essai & Arithmena morale)

The connexion between quantity and demand is best expressed by means of a curse either of utility or of demand (see p. 502). Along the horizontal line let the figures 1, 2, 3, 4 denote the quantities consumed, and from each of these points draw a vertical line to denote the intensity of demand for each of these quantities. The height of the ordinate decreases more or less rapidly as the quantity increases, until at last it falls to zero.

based upon one or other of these two ideas was bound to be unsuifactory, but nobody knew why. As soon as the connexion between the two was realized, however, it became evident that utility must be regarded as a function of the quantity possessed, and that this degree of utility constitutes what we call value.

Just as the notion of final utility solved one of the most difficulty problems in economics, namely, why water, for example, has less had perspected many economists on the Physiocrast downward of the objected many economists on the Physiocrast downward of the object echanges, which by definition implies the equivalence of the object of

Imagine two Congoese merchants, the one, A, having a heap of salt, and the other, B, a heap of rice, which they are anxious to echange. As yet the rate of exchange is undetermined, but let then begin. A takes a handful of salt and passes it on to B, who does the same with the rice, and so the process goes on. A casts his eye upon the two heaps as they begin mounting up, and as the heap of rec keeps growing the utility of each new handful that is added keeps diminishing, because he will soon have enough to supply all his wants It is otherwise with the salt, each successive handful assuming an increasing utility. Now, seeing that the utility of the one keeps increasing, while that of the other decrease, there must come a time when they will both be equal. At that point A will stop. The rate of exchange will be determined, and the prices fixed by the relative measures of the two heaps. At that moment the heap of rice acquired will not have for A a much greater utility than has the heap of sal with which he has parted.

But A is not the only individual concerned, and it is not at all and if he hat B will feel inclined to stop at the same moment as A: and if he had been subfield with the quantity of rice given him no exchange would have been must be ready to go to some pount beyond the limit which the other has fixed in petto. This point can only be arrived at by bargaining!

It is in cases of that hind that figures become handy. If we take not curves an according one to represent the utility of each handful of sail parted with, and a developing one or represents the utility of each handful of risk parted with, and a curves must neveranity introcer, swring that one is just the favore of the other. The

2. Another question that requires answering is this: How is it that there is only one price for goods of the same quality in the same market? Once it is clearly grasped that the utility spoken of is the utility of each separate unit for each separate individual it will be realized that there must be as many different utilities as there are units, for each of them satisfies a different need. But if this is the case, why does a person who is famishing not pay a much higher price for a loaf than a wealthy person who has very little need for it? or, why do I not pay more when I am hungry than when I am not? The reason is that it would be absurd to imagine that goods which are nearly identical and even interchangeable should have different exchange values on the same market and especially for the same person. This law of indifference,1 as it is called, is derived from another law to which the Psychological school rightly attaches great importance, and which constitutes one of its most precious contributions to the study of

point of intersection marks the place where the utilities of the two exchanged handfuls are exactly equal.

We must be careful not to confuse matters, however. It is not suggested that the final tiblities in the case of the two co-schangers are equal. There is no common measure by which the desires of different persons can be compared, and no bridge from one to the other. What is implied is that the final utility of both commodities for the same terran are the same. The balance lies between two preferences of the same individual. The actual market exchange is rust the resultant of all these virtual exchanges.

The Austrian school in its explanation makes use of a hypothesis known as the double limit, which does not seem to be absolutely indispensable, seeing that other economists of the same school-Walras, for example-appear to get on well enough without it. They seem to think of buyers and sellers drawn up in two rows facing one another Every one of the sellers attributes to the object which he possesses and which he wants to sell a certain unlity different from his neighbour's. Each buyer in the same way attributes to that object which be desired to buy a degree of utility which is different from that which his neighbour puts upon it. The first exchange, which will probably have the effect of fixing the price for all the other buyers and sellers, will take place between the buyer who attributes the greatest utility to the commodity he has to sell, and who is therefore least compelled to sell, and the buyer who attributes the least utility to the commodity he wishes to buy and who is therefore least tempted to buy At first sight it seems unpossible that the party as a whole should be bound by the action of the two individuals who show the least inclination to come to terms. It would be more natural to expect the first move to take place between the seller who is forced to sell and because of his urgency is content with a price of tor, per bushel, say, and the buyer who feels the strongest desire to buy and who, rather than go without, would be willing to give yor, for it. But upon consideration it will be found that the price is indeterminate just because these two are ready to treat at any price The most impatient individual will surely wait to see what terms the least pressed will be able to make, and it is only natural that those who are nearest one another should be the first to come together. Three two co-exchanguts who control the market are known as the "limiting couple."

1 It was Stanley Jevons who gave it this expressive name. It is meant to imply that if two objects which fulfil very different nords, perhaps, can be interchanged, they

cannot have very different values.

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economics, namely, the law of substitution. This law implies that whenever one commodity can be exchanged for another for the purpose of sainfying the same need, the commodity replaced cannot be much more valuable than the commodity replacing it.

For what is substitution but mutual exchange? And exchange implies equality, so that if there is a series of interchangeable none of them can be of greater value than any of the rest.

Consequently, if an individual has at his disposal 100 glass water, which is easily available everywhere except in the Sah perhaps, no one of these glasses, not even that one for which he we be willing to give its weight in gold were he very thirsty and that i only glassful available, will have a greater value than has the hu dredth, which is worth exactly nothing. The hundredth is alway there ready to be substituted for any of the others.

But the best way of getting a clear idea of final utility is not to consider the value of the object A, but of the object B, which can replace it. It becomes evident, then, that if I am about to lose some object, A, which I value a good deal but which can be perfectly replaced by another object, B, that object A Cannot be much more valuable than B; and if I had the further choice of replacing it by G. G being less valuable than B, then A itself cannot be much more valuable than C.

We arrive, then, at this conclusion: The value of wealth of eve kind is determined by the value of its least useful portion—that is b the least satisfaction which any one portion of it can give.

Hitherto we have been concerned with the notion of final utility as applied to the problems of value and exchange, but has it the same effect when applied to problems of production, distribution, or consumption? The Hedonits have no doubt as to the answer, for what are production, distribution, and consumption but modifications of exchange?

Take production, for example. How is it that under a system of free competition the value of the product is regulated by its cost of production? It is because a competitive regime is by every definition a regime where at any moment one product may be exchanged for

The law of substitution applies not merely to different objects which satisfy the same need, but also to objects which supply different needs provided those sends are need to the same sends of the same same nect, soit may no objects which supply different needs, provided those near as the for both a second necessary of the sec to any extent intercnangeaments less as a sucrement on which the for both, to travel as a substitute for the life of a country gredeman. use are count, so traver as a substitute for the life of a country gradients.

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another of a similar character, the similarity in this case being simply the result of a certain transformation of the raw material. The law of substitution is operative here, and the reason why cost of production regulates value is that the cost of production at any moment represents the last interchangeable value.

The same is true of consumption, as we can see if we only watch the way in which each of us distributes his purchases and arranges his expenditure. There is evident everywhere an attempt to get the best out of life—to get all the enjoyment which our different moome? in a best made to yield; here spending more on house-room and less on food, there curtailing on amusement and extending on charity, until a rough kind of equilibrium is reached where the final untility of the last exchanged objects—or, if another phrase be preferred, the intensities of the last satisfied needs—are equal. If the com spent in purchasing the last eigar does not yield the same pleasure as the same coin yields when spent on a newspaper, the newspaper will in future probably take the place of the eigar. Consumption seems really to be a kind of exchange, with conscience for mart and desires as buyers and sellers.

Nor is the realm of distribution even beyond the reach of the utility theory. Its application to the problems of interest, wages, and rent is largely the work of American economists, especially of J. B. Clark. It is quite impossible for us to give an exposition of the subtle analyses in which the quarterly reviews of the American universities take such a delight; and which undoubtedly afford a very welcome relaxation in an atmosphere so charged with pragmatum and realism. But we must just glance at the theory of wages. Wages, like other values, must be determined by final utility of wages. Wages, like other values, must be determined by final utility of the final utility of what, and for whom? The final utility of the services which the worker enders to

<sup>&</sup>lt;sup>1</sup> The tree whool deduces a very curious conclusion from the law of indifference Although there is only one pote for all corn buyers, any fee final sullipsy of the corn for each individual is by no means the same. Let us assume that the price is now, to core of the buyers, rather than go without, would possibly have given zys for it and others might have been willing to give \$1.4, \$2.3, \$2.2, etc. Every ence of those are flowed in the price is now, and the expected only pay not, genus a surplan which Profesor Marshall has called consumer's rent (Prosplar, Rosk III, chapter vi). He has given that a name in order the left-online the deal rather than the control of the left-online the deal rather. Most after that the left-online the color arms. Each are due to similar digital anomiety only deficient deflectional advantages which give rue to a substantial margin between the reling price and the cost of production.

Really, however, the similarity is simply a matter of words, because consumer's rent is purely subjective, whereas producer's rent is a marketable commodity. It would be better to asy umply that in many cases of exchange it is not correct to argue that because the prices are equal the satusfaction given so different persons is necessarily could.

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the entirepreses. Following other factors of production, the final produclivity of the workers will determine their wages. That is, their kal utility is fixed by the value produced by the marginal worker-to matter how worthless he may be-who only just pays the magness. The value produced by this almost supernumerary worker not only fixes the maximum which the employer can afford to give him, but also the wages given to all the other workers who can take his place-Le, who are employed upon the same kind of work as his-although they may produce much more than he does; just as in the case of the too glasses of water the least valuable glassful determines the value a all the test t

Thus is the productivity theory of wages at once confirmed and corrected. But this time it is the productivity of the least productive worker, of the individual who barely keeps himself. No wonder the theory has lost its optimistic note. Somehow or other it does not seen very different from the old 'brazen law.'

The rate of interest follows a similar line—the marginal item of capital fixing the rate. It is even more true of capital, which is more completely standardized, with the result that the principle of substitu-Rent is treated at greater length in the next chapter.

Gradually we begin to realize how the observation of certain facts apparently of a worthless or insignificant character, such as the substitution of chicory for coffee or the complete uselessness of a single glove, enabled the Psychological school to propound a number of general theories such as the law of substitution and the doctrine o complementary goods which shed new light upon a great number of economic questions. There is something very impressive about this deductive process that irresistibly reminds one of the genie of the Thousand and One Might, who grew gradually bigger and bigger until he finally reached the heavens. But then the genic was nothing but

It is exactly necessary to point out that if workers are not really interchangeable on a count of their different capacities the law can no longer be said to hold good, where is always presupposes fee competition, whereas in this case we have a possible or according to the case we have a possible or according to the case we have a possible or according to the case we have a possible or according to the case we have a possible or according to the case we have a possible or according to the case we have a possible or according to the case we have a possible or according to the case of the c

The not quite the same when the capital is fixed, for the law of substitution is no onger applicable in that case, and the incomes are very different.

#### III: THE MATHEMATICAL SCHOOL

The Mathematical school is distinguished for its attachment to the study of exchange, from which it proposes to deduce the whole of political economy. Its method is based upon the fact that every exchange may be represented as an equation, A = B, which expresses the relation between the quantities exchanged. Thus the first step plunges us into mathematics.

However true this may be, the application of the method must necessarily be very limited if it is always to be confined to exchange.

1 It must not be supposed that in applying the term 'school' to these writers we wish to suggest that they have a common programme. All we mean is that they make use of the same method.

It is generally recognized that the school dates from the appearance of Cournot's Recherches sur les Principes mathématiques de la théorie des richesses (1838). Cournot, who was a school inspector, died in 1877, leaving behind him several philosophical works which are now considered to be of some importance. The story of his economic work affords an illustration of the kind of misfortune which awaits a person who is in advance of his age. For several years not a single copy of the book was sold. In 1867 the author tried to overcome the indifference of the public by recasting the work and omitting the algebraical formule. This time the book was called Principes de la Théorie des richesses. In 1876 he published it again in a still more elementary form, and under the title of Revue sommane des Doctrines économiques, but with the same result. It was only shortly before his death that attention was drawn to the merits of the work in a glowing tribute which was paid to him by Stanley Jevons.

Gossen's book, Entuithelung der Gesetze des menschlichen Verkehrs, which appeared much later (1853), was equally unfortunate. The author remained an obscure civil servant all his life. His book, of which there is still a copy in the British Museumthe only one in existence possibly-was accidentally discovered by Professor Adamson. and Stanley Jevons was again the first to recognize sta ments. A brief resume of the

work will be found in our chapter on Rent.

Stanley Jevons (died 1882) belongs both to the Mathematical and to the Final Utility school. His charming book The Theory of Political Economy dates from 1871 Lion Walras, who is persistently spoken of as a Swiss economist nut because he happened to spend the greater part of his life at the University of Lausanne, also known as the School of Lausanne, was in reality a Frenchman. His Eliments & Economic politique pure, of which the first part appeared in 1874, contains a full exposition of Mathematical economics. He says himself that he owes his ideas to the teaching of his father, Auguste Walras, a school impector of an independent attitude of mind who retired in 1849. He had published in 1831 a thesis De la nature de la richesse et de l'origine de la talour in which he enticized the vagueness of the ideas of the principal economists and attributed value to score which This work was republished in 1938 by Gaston Leduc in a new collection of the works of the leading economists (Alcan, Paris, 240 pp ). Léon Walras always considered that it was his father who initiated him into political economy and even mathematical economics. The Mathematical school to-day has exponents in every land, and even economists not specifically connected with it are in the habit of using algebraical symbols to clarify particularly complicated explanations or arguments. France, though rather late in entering this field, now has many Mathematical economists. Aspetit led the way with his Thorse & is mounts, followed by Moret, the translator of Irving Faher and author of many works, and notable contributions have been made by Colson and his successors. Divisia, Rueff, Allais, Lutfalla, and Roy

It is, however, a mistake to suppose that this is really the case, and one As to, somewer, a minimum and suppose that this is fearly the case, show on of the most ingenious and fruitful contributions made by the new school. on the most ingenious and triuting contribution made by the most account was to show how this circle could be gradually enlarged so as to include the whole of economic science.

Distribution, production, and even consumption are included within its ambit. Let us take distribution first and inquire what wages and rest as among the to take untilousion may and inquire what wages and the are. In a word, what are revenues? A revenue is the price of critical services rendered by labour, capital, and land, the agents of production. and paid for by the entrepreneur as the result of an act of exchange.

And what is production? It is but the exchanging of one utility for another—a certain quantity of raw materials and of labour for a certain quantity of consumable goods. Even nature might be compared to 1 merchant exchanging products for labour, and Xenophon mut have had a glimpse of this ingenious theory when he declared that the gods sell ut goods in return for our toil." The analogy might be pushed still further, and every act of exchange may be considered as act of production. Pantaleoni puts it elegantly when he says that partner to an exchange is very much like a field that needs tilling or mine that requires exploiting."

And what are capitalization, investment, and loan but the exchange of present goods and immediate joys for the goods and enjoyment of

It was a comparison instituted between the lending of money and an ordinary act of exchange that led Bohm-Bawerk to formulate ha celebrated theory of interest. Bohm-Bawerk, however, is a representative of the Austrian rather than the Mathematical school.

Even consumption—that is, the employment of wealth-implied incessant exchanging, for if our resources are necessarily limited that must involve a choice between the object which we buy and that which with a sigh we are obliged to renounce. To give up an evening at the theatre in order to buy a book is to exchange one pleasure for another, and the law of exchange covers this case just as well as any other, I It is the same everywhere. To pay taxes it to give up a porton Fr. 1-48 (1904).

1 Des Defendes d'aprima more dominates (Genera, 1877), inserted in Ariel and d

A value therefore (1904).

I value therefore the prove of Classical economics, as simply a find to exchange with the
not actual, and the how whose, and there is keen all to refreshing a kimply a link in exchange with more reported as a coverage of the substitution of the substitutio an about the decision of a model to reductions to struggle to find in case, assessment about the case and a model or model. The model process proposed to hand the world make the case the case of the case the ca sources and to employ the term "situe of exchange" instead. And Appell among the "change in the change instead and Appell among the change in Assigner from the execute sociality alogator. Here a so president sociality alogator. Here a so president sociality alogator. and in present the services to delicity sliceritier. Dere is no president in more as an account of the contract as we have door, and in france recommit systems as an account of the contract we as early without over employing the error "yeller" (Through to \$1.000,000).

of our goods in order to obtain security for all the rest. The rearing of children involves the sacrifice of one's own well-being and comfort in exchange for the joys of family life and the good opinion of our fellow men.

It's not impossible, then, to discover among economic facts certain relations which are expressible in algebraical formular or even reducible to figures. The art of the Mathematical economist consists in the discovery of such relations and in putting them forth in the form of equations.

For example, we know that when the price of a commodity goes up the demand for it falls off. Here are two quantities, one of which is a function of the other. Let us see how the law of demand in its amended form would express this.

If along a horizontal line A B we take a number of fixed points equidistant from one another to represent prices—e.g., 1, 2, 3, 4, 5. 10—and from each of these points we draw a vertical line to represent the quantity demanded at that price, and then join the summits of

the quantity demanded at that proce, and then join the summuts of these vertical lines, which are known as the ordinates, we have a curve starting at a fairly high point—representing the lowest prices—and gradually descending as the prices rise until it becomes merged with the horizontal, at which point the demand becomes mil.\*

What is very interesting is that the curve is different for different products. In some cases the curve is gentle, in others abrupt, according as the demand, as Marshall puts it, has a greater or lesser degree of elasticity. Every commodity has, so to speak, its own characteristic

<sup>1</sup> If demand be represented by d and price by p, then d = f(p) - i.e, demand is a function of price.

Geometrical figures can always take the place of equations, for every equation can be expressed in the form of a curve. Geometrical representation makes a quicker appeal to the eye, and it is entermedy useful where people are not conversate with writer. But it is based on a conversate with writer. But it is based you strained to between two quantities, one of which a fixed and the other is variable, or between two quantities, one of which a fixed and the other is variable, or between two quantities, one of which a fixed and the other is variable, or between two quantities, one of which a fixed and the other is variable, or between two quantities, one of which a fixed and the other is variable, or between two quantities, or the converse of the provider of which we have a many quadraties. Even in this take would not be very clear. In the like provided we have as many quadration as were any expensions as there are variable, and the converse of the provided we have as many quadration as were always quadratic and the converse of the converse of the provider of the real same of quadratic and the converse of the provider of the real same are quadratic.

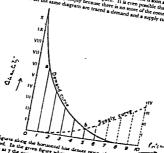
<sup>9</sup> Dupti, the enginer, was the first to make use of a demand curve. Course, who refres to it as the law of stag joint with orders to it as the law of stag joint as admirated lauremine of into operation in the case of bottles of medicarial waters of wonderful custive power. As a very long ten the demand and consequently the sale would be very great, though not unfainly because of the limit which custs for each want. As a very high price at would be made between the who extremes would be asset were listened curved. We cannot deal with all the ingenious deductions which Coursot makes concerning monopoly and the greater or leaver disord between monopoly and the greater or leaver disord between monopoly and the greater of leaver disord between the greater of leaver disord leaver disorders.

curve, enabling us, at least theoretically, to recognize that product among a hundred.

We would naturally expect the supply curve to be just the interest of the demand curve, rising with a rising price and descending with a on the ventranc curve, itsing what a range price and occurring much falling one, so that by the time the price is zero supply is nil, whereas

The demand curve is generally concave, and this characteristic form is fast to to demand curve a generally concave, and the characteristic norm a par-geometrical expression of the well-known fact that when prices are less enough-SCORETICAL EXPERIMENT OF THE PROPERTY AND ASSESSMENT OF THE PROPERTY OF THE SAME PARTY AND ASSESSMENT OF THE PROPERTY OF THE SAME PARTY AND ASSESSMENT OF THE PROPERTY OF THE to execution to every soury sor many normatic rapidity, occasio, tean pures over a hour numerous than fat ones, a slight lowering of the level of price and long it some numericus man las once, a sugar sovering or inc serie or price his series of a finds stratum of people. It may take different ferm Sometime from our stand of a trial statum of proper at gay take comments.

For some products, such as common said. a considerable full to the private of the statum of the will not result in a large increase in the sales. In the case of diamonds a president was not retust on a targe increase on the tasts. In the case of mamorial a great was a falling off in demand because they have become but steps. The prace may cause a causing on so memoral occasion they have occurs and control in apply curve, on the other hand, is generally convex, because the supply, which only supply cure, an me more man, a generally conver, persons the supply, some content upon the sense at a certain point, a very sensible to price movement. For outers upon one name as a certain point, is very sometime to para command. a up rapidly with a slight increase in price. Its upward stend a son arrested hore because production cannot keep up the pace. It is even possible that the supply is of the need point, simply because there is no more of the commend of which Below on the same diagram are exceed a demand and a supply curve.



The figure sheet the horizontal line denote price, should be served the quantity to the served the quantity of the served that when the served the served to all with the served to the served to the served to all with the served to the serve demanded. In the given from the definee prec, along the service the quantity for the precision of the precis the price at 7 the quantity demanded Life to zero

the price at 7 ties quantity dynamical tills to zero.

The desired curve represents the supply. When price is 1, supply is all bloom as to serve the supply is all bloom as to serve the supply in the price is 1, supply is all bloom as to serve the supply in the price is 1, supply is all bloom as to serve the supply in the price is 1, supply is all bloom as to serve the supply in the supply in the price is 1, supply is all bloom as the supply in th per a 10, angel ments up to IV. Exhapped them per to 1, supply to all remained and apply ments up to IV. Exhapped thematy ment take place part when wanted and apply are qualities, as a bound and apply are experienced and apply are qualities, as a bound and marks the point of intervition of the point of intervition of the continue of the manus and augst are equal—st, at \$—which musts the proot of misserious a few row bacs, when the amount demonsted is equal to the quantity client and de-erve a c

The service of long are called sectioning and o X the sea of the sections Rivation are a X to one oversal some are called medicated, and o X the sea of the exhibits. Surprise on the course many of surprise and a service and o X are called alternate. Each proces on the course many's marks the average and

But it is not quite correct to regard it as merely the inverse of the demand curve. A supply curve is really a much more complicated affair, because supply itself depends upon cost of production, and there are some kinds of production—agriculture, for example—where the cost of production increases much more rapidly than the quantity produced. In industry, on the other hand, the cost of production decreases as the quantity produced increase.

Mathematical political economy, not content with seeking relations of mutual dependence between isolated facts, claims to be able to embrace the whole field within its comprehensive formula. Everything seems to be in a state of equilibrium, and any attempt to upset it is immediately corrected by a tendency to re-establish it. I To determine the conditions of equilibrium is the one object of pure economics.

The most remarkable attempt at systematization of this kind was made by Professor Walras, who endeavoured to bring every aspect of the economic world within his formula, a task almost as formidable as that attempted by Laplace in his Micanius ellests.

Let us imagine the whole of society included within one single room, say the London Stock Exchange, which is full of the tumult of those who have come to buy and sell, and who keep shouting their prices. In the centre, occupying the place usually taken up by the market, sits the entreprener, a merchant or manufacturer or an agriculturist, as the case may be, who performs a double function.

On the one hand he buys from producers, whether rural or urban, landlords, capitalists, or workers, what Walras calls their "productive services," that is, the fertility of their lands, the productivity of their capital or their labour force, and by paying them the price fixed by the laws of exchange he determines the revenue of each; to the proprietor he pays a rent, to the capitalist interest, to the workman wayers. But

Though in the diagram we have considered the ordinates to represent price and the abscisse quantities, the reverse notation would work equally well

Mathematical economics also studies other forms of equilibrium which are much more complicated and not quite so important, perhaps, relating as they do to conditions of unstable could/brium.

oths of hances equinosis of sperication (Lousnis par, 1902, p. 11): "Walras was the first to how the importance of these equisation, specially in the case of free competitions of the special part of the competition of the competition of the script has deviced as good deal time about part has we can give him script has deviced as good deal time about part of the imported develop all more in the fature, but that will not take says from the imported of the discovery. Autocomp has progressed every considerable piece. Newton published has Principle, but far from detracting from the morie of the earlier work it has rather chanced in reputation."

of these, of the ordinates and the absense. This is true of the point a, for example, where the perpendicular denotes the price {1} and the other line the number of units sold, in this case VI.

Though in the diagram we have considered the ordinates to represent price and

how is that price determined? Just as at the Exchange all values what soever are determined by the law of demand and supply, so the nonprincer demands so many services at such and such a price and the Capitalist or workman offers him so many at that price, and the price will rise or fall until the quantity of services offered is equal to the quantity demanded.

The entreprenar on his side disposes of the manufactured good fashioned in his factory or the agricultural products grown on his fast to those very same persons, who have merely changed their dolt and become consumers. As a matter of fact the proprietors, capitalist and workers who formerly figured as the vendors of services no reappear as the buyers of goods. And who che did we espect the buyers to be? Who else could they be?

And in this market the prices of products are determined in just the same fashion as we have outlined above.

All at once, however, a newer and a grander aspect of the equilibrium comes to view. Is it not quite evident that the total value of the productive services on the one hand and the total value of t products on the other must be mathematically equal? The subspires cannot possibly receive in payment for the goods which he has sol to the consumers more than he gave to the same person, who were just now producers, in return for their services. For where could they possibly get more money? It is a closed circuit, the quantity that come out through one outlet re-enters through another. With the important difference that it keeps much closer to fact, there-

planation beart a striking resemblance to Quesnay's Tabless knowings.

If this is to be taken as literally true, we have this curious result: the adversary tonion or to be stated as iterately thus, we have this tunous result to ensystematic for the Products which he sells just exactly what he paid for producing them. makes no profit at all. Rolp Wales and Pareto fully admit the paradoxeal nature of the statement. Of

course its undertood that it can only happen under a figure of perfectly for course thouse no assessment that it can only happen under a regime of perfectly tree con-pensation, care being also taken to dissinguish between profits and interest, a thing that it is exper-sized. In contrast, the contrast of the contrast of the conin fever done, a space of anniquent between proble and soleret, a way a secondary of the constitution of t as constituent elements of cost of production. Semanural remains or cost of production.

But this is not as wonderful as if seems at first aging. It simply means a seturn to see a sub-known Gowell to the second of the

the well-known on our on woncertui as it germs at first sight. It imply meson a resur-tion of first sight consists and some a regime of free competition selling press and necessarily coincide with cost of production. be regarded as the results of recogniting the churrence of actual profits. Profit are the results of recogniting the churrence of actual profits. Profit are the results of recogniting the churrence of actual profits.

to be prevent our recogning the extreme of actual probat. Provided health, a successful actual conflictions of a system round some fixed point. so or regarders as the result of inccusant oscillations of a system round some two pro-with which is GVPF has the good fortune actually to colorable. According to the one weath cover day the good better actually to contrale. According to the develope and the proof of the coverage of the seaso of the sea, But the extense of wars in so reason as we have a season of the season of the coverage of the cover conceptual tory are left the waters of the sea. But the relatence of water is no reason and the designing a stead level of the ocean or for not taking that mean level as a base for any oceanisms. no control of a mean level of the ocean or for not taking that mean level as a taneous control and taking that mean level as a taneous control and taneous level as a taneous level a profits will stand, but if that day ever does down ridder pur the profits will stand or ever does down ridder grow the private or excessive works. At the day ever does down ridder grow the physical or do not seen to the private or down the private or down the private or down to the private or down From a vession, but if that day ever does days either upon the physical or on a standard, all activity will addictly cease, and the world lovel will come in a standauli,

- . We have two markets in juxtaposition, the one for services and the other for products, and in each of them prices are determined by the same laws, which are three in number:
- (a) On the same market there can be only one price for the same class of goods.
- (b) This price must be such that the quantity offcred and the quantity demanded shall exactly coincide.
- (c) The price must be such as will give maximum satisfaction to the maximum number of buyers and sellers.
- All these laws are mathematical in character and involve problems of equilibrium.
- In some such way would the new school reduce the science of economics to a sort of mechanism of exchange, basing its justification upon the contention that the Hedonistic principle of obtaining the maximum of satisfaction at the minimum of discomfort is a purely mechanical principle, which in other connexions is known as the principle of least resistance or the law of conservation of energy. Every individual is regarded simply as the slave of self-interest, just as the billiard-ball is of the cue. It is the delight of every economist as of every good billiard-player to study the complicated figures which result from the collision of the balls with one another or with the cushion.<sup>1</sup>
  - A full exposition of Walra's system involves the approximation on only of two but of three markets intervoern together. On the attual market where goods are exchanged the quantity of these commodules depends upon the quantity of predictive services, land, expand, and labour, and the quantity of these productive services, land, expand, and labour, and the quantity of tapital, depends to a certain nation tupon the creation of new popular, which in turn depends upon the amount of away. The third market, then, is that of expitalization. Since the nevel expital control purpose of other ways the account of the productive services, and the expansion of the productive services are considered to the review which are considered to the review of the review

To say that the price of capital has gone up is to say that the rate of interest or the reward of saving has fallen. But a fall in the rate of interest will check saving. The result will be a change of equilibrium, the price of new capital will fall, he rate of interest will go un, etc.

Dielip, then, the total maximum utilities on the one hand and the price on the other, these are the two conditions determining equilibrium in the economic world, no matter whether it be product or services or capital. "The same thing at me of gravity in the placed world, which may not directly with the remain and inversely with the square of the datance. Such is the worlds! conditions which determines the movement of the celtural bodges. . . . In shot cass the whole screene may be presented by a formula containing of only two lanes. Such a formula will include a great number of ferm." (Wilstan, Economy Jalapap page, p. p. p. d)

<sup>1</sup> Professor Edgeworth employs a similar comparison, speaking of the economic man as a charioteer and of social science as consisting of a chariot and some such chariotee (Mathematical Pochica, p. 13). "'Mécanique Sociale' may one day take

in which the different elements combine in production. Jevons conpares production to the infernal mixture which was boiled in their cauldron by the witches in Macbeth. But the ingredients are not mixed haphazard, and Pareto thinks that they conform to a law analygous to the law known in chemistry as the law of definite proportions, which determines that molecules shall combine in certain proportions only. The combination of the productive factors is perhaps not quite so rigidly fixed as is the proportion of hydrogen and oxygen which goes to form water. Similar results, for example, may be obtained by employing more hand labour and less capital, or more capital and less hand labour. But there must be some certain proportion which will yield a maximum utility, and this maximum is obtainable in precisely the same way as in other cases of equilibrium-that is, by varying the 'doses' of capital and labour until the final utility in the ease both of capital and labour becomes equal. Generally speaking this is the law that puts a limit to the indefinite expansion of industry, for whenever one element runs short, be it land or capital, labour or managing ability or markets, all the others are directly affected adversely and the undertaking as a whole becomes more difficult and less effective. Pareto rightly enough attaches the greatest importance to this law, and we have only to remember that it is the direct antithesis of the famous law of accumulation of capital to realize its full significance

There are several other cases of interdependence to which the ere school has drawn attention, as, for example, that of certain complementary goods whose values cannot vary independently. What is betwee of one glove or one stocking without another, of a motor-case without pertod, of a table service without glaxes? Not only is this true of concumption goods; it also applies to production goods. The when of each concumption goods is also applies to production goods. The when of each good is necessarily connected with the value of gas, for you cannot produce the one without the other, and this applies to all by-product. The possibility of utilizing a by-product always lowers the price of the main comma-law.

## IV: CRITICISM OF THE HEDONISTIC DOCTRINES

The triumph of the new doctrines has been by no means universal Fincland, Italy, and Germany, and even the United States, when see her place a long with 'Meanippa Crisis,' throand seek upon the double slick is of or even maximum principle, the appearse panels for most as of princip ways."

×4.,

points at accounty as a study of the training tectures device and

would least expect enthusiasm for abstract speculation, have supplied many disciples, and several professorial chairs and learned reviews have been placed at their disposal. During many years France seemed altogether closed to them. Not only was Walras, the doyen of the new school, forced to leave France to find in foreign lands a more congenial environment for the promulgation of his ideas, but at one time it would have been quite impossible to mention a single book or a single course of lectures given either in a university or anywhere else in which these doctrines were taught to even criticized.

ese in which these doctrined were taugin or even churched.

We might have understood this antipathy more easily if France, like
Germany, had already been annexed by the Historical school. There
would have been some truth in a theory of incompatibility of tempers
under circumstances of that kind. But the great majority of French
economists were still faithful to the Liberal trudition, and one might
naturally have expected a hearty welcome for a school that is essentially
Neo-Classical and pretends nothing more than to give a fuller demonstration of the theories already taught by the old matters.\(^1\)

The mere fact, however, that they presumed to draw fresh lessons or to deduce new principles from those already formulated by the older writers appeared an unwarranted interference with doctrines

<sup>1</sup> We have had, of course, Cohon's great book on policial encourse, which contains a mathematical treatment of demand and supply and Landry's exposition of the Austrian theory in his Meanal Economique. We have already referred to Auspetic's book on money. We must also mention the translations of the Meanal of Political Economy of Visition's Survey of Political Economy. Since there the exponents of Visition's Survey of Political Economy. Since there the exponents of Paul Levy-Beauliers was particularly severe upon the Mathematical method.

§ Paul Leroy-Beauheu was particularly severe upon the Mathematical method. "It is a pure delusion and a hollow mockery. It has no scientific foundation and is of no practical use. It is as much a gamble as the scramble for prizes at the table at Monte Carlo. . . . The so-called curve of utility or demand is of no earthly use, for

if the price of wine goes up the consumption of beer or ender will increase, that is all."
(Traité d'Économie politique, Vol. I, p. 85; Vol. III, p. 62.)

This last criticism is nomewhat usexpected, for we have already seen that the Ideolanist are very far indeed from ignoring the size of substitution. If they did not scually discover it they innuencyl amplified it. And it is very probable that if there and been a contraction between there descrines and this lise is used not not have considered them. Moreoveri, we note that here and coder have their demand curverture of the contraction of the contraction of the contraction of the complexity of the contraction of the contraction of the contraction of the ingred not with one but with bost or three balls. But this is just the kind of disject which is manufale to mathematical trestiment—nay, even, peahaps, demands as The connexion between the values of complementary or supplementary goods as the contraction of the contract

see l'antaleoni, Economia para.

A criticism of Mathematical economics may be found in an article by Simiand enutled La Mithole positue en sessue fonomique (Rouse de Mitaphyrique et de morale, November 1908), and a good reply in La Mithole mathématique en économie politique, by Bouvier.

that had hitherto seemed good enough for every one. Criticism THE REDONISTS that kind, of course, is not worth serious attention.

An easier line of criticism, and one very frequently adopted, is a maintain that the wants and desires of mankind are incapable of measurement and that mathematical causations can never be reconciled with the doctrine of free will. But such claims as these were never put forward by the Mathematical school. On the contrary, it has always recognized that every man is free to follow his own benttrahit sua quemque coluptas-merely inquiring how man is to act if he is to obtain the maximum satisfaction out of the means at his disposal and to overcome the obstacles that stand in his way. Neither his ever ventured to say that such and such a man is forced to sell con to buy it, but simply that if he does buy or sell it will be with a det mination to make the best of the bargain, and that such being t case the buying or selling will take place in such and such a fashio. It further claims that the action of a number of individuals unde similar circumstances is equally calculable. So is the movement of the balls on the billiard-table, but that does not interfere with the Eberry of the players,1

Nor do they pretend to be able to measure our desires. What they do—and it is not so absurd after all, because we are all doing it—is to express in pounds, shillings, and pence the value we put upon the acquisition or loss of an object that satisfies our desire. Moreover, the Mathematical school does not make much use of numbers, but cofines itself to algebraical notation and geometrical figures—that is, the consideration of abstract quantities. To write down a proble in the form of a mathematical equation is to show that the problem can be solved and to give the conditions under which solution is alone possible. Beyond this the economist never goes. He never tries to far the price of corn, whatever it may be; he leaves that to the speculators.

From the other side—that is, from the historians, interventionists, solidarists, socialists—comes criticism which is quite as bitter and not a whit easier to justify. The Hedonistic doctrine appears to them simply as a fresh attempt to restore the optimistic teaching of the Manchester school, with its individualism and egoism, its free competi-

Walras put it well when he wrote as follows: "We have never tired to analyse motives of fee. Trained plut it well when he wrote as follows: "We have never thred to sample the motive of free human brings. We have simply rised to give a mathematical expression of the result." (Elevents & Learner policies par, p. 232.)

<sup>&</sup>quot;Syrcision on the result." (Element of Economic politique pare, p. 232.)
"We do not know exactly what it is that back the function and the variable without the function and the variable method." together, or the intensity of the satisfied need to the quantity already consumed. But because, or one intensity of the satisfied need to the quantity already consumes, and the one side we feel certain that there must be a corresponding from

tion and general harmony, its insidious justification of interest, rent, and starvation wages—in the name of some imaginary entity which they call marginal utility. I short, it looks just like another proof of the thesis that the present economic order is the best possible—a proof that is all the less welcome seeing that it claims to be scientific and mathematically infallible.

This sort of criticism is nothing less than caricature. It would be futle to deny that the new school has undertaken the task of carrying on the work of the Classical writers, but what possible harm can there be in that? The royal road of science often turns out to be nothing better than a very narrow path—but it does lead somewhere. There would be no progress in economic science or in any other if every generation were to throw overboard all the work done by its predecessors. What the Hedonistic school has tried to do is to distinguish between the good and the bad work of the Classical writers and to retain the one while rejecting the other.

The main object of the equilibrium and final utility theories is not to justify the present economic regime, but merely to explain it, which is quite a different matter. But it does happen in this case that the explanation justifies the conclusion that under the conditions of a free market the greatest good of the genatest number would naturally be secured. The term 'good,' however, is used in a purely Hedonistic and not in the chical sense. No attention is paid to the pre-existing conditions of the exchange, and none is bestowed upon its possible consequences. The dd-time bargain between Exas and Jacob, when the former sold his birthright for a mere mess of pottage, gave the maximum of estificación to both, even to Exas, of whom it is related that he was at the point of death, and to whom accordingly the pottage must have been of infinite value. Even if Jacob had offered him a bottle of absinthe instead the result would have been equally satisfactory from a Hedonistic standpoint. The theory takes as little account of hygicine as it does of morals.

The Hedonist, by way of amendment, might suggest that Esau would have made a better bargain if there had been, not one, but several Jacob offering the pottage, which helps to explain why they are so partial to competition and so strongly opposed to monopoly. Who Hedonist would deny that Esau was exploited by Jacob; but, on

<sup>&</sup>lt;sup>1</sup> For a vigorous refutation of this criticism see two articles by Rist entitled Economic splinite and Economic scandifum in the Resul de Mitophysique et de morele for July 1904 and September 1907

Or he will argue, perhaps, that the market would have been much more favourable to Esau if Jacob had had more portage than he could easily have disposed of—a case where even monopoly might offer some advantage to the buyer.

the other hard, they would point out that there is no necessity to inactine that society is made up only of Exten and Jacoba!

The same thing applies to Bohm-Baserk's erlebrated theory of Interest Indeed, It.hm-Esneek quite definitely nates that he mark wants to discover some explanation of interest, but does not antidopte that he will be able to parify it, and in that spirit he condemn the ethical junifications that were attempted some centuries back. His object as to show that interest is due neither to the productivity of capital nor to the differential advantages enjoyed by its possess Neither is it a tax leaved upon the exploited borrower; it is simply towns In other words, a represent the difference between the value of a prevent fixed and the same great on some future occasion It is just the result of exchanging a present good for a future one. A hundred franca a year hence are not equal in value to a hundred france here and now To make them equal we must either add something by way of interest to the future item or take away something by way of discount from the present one.

Turning to the theory of wages, according to which the wages of each class of preducers is supposed to be determined by the prolivity of the marginal worker in that class, we are struck by the hat it is only a little less pessimente than the old 'brazen law.' W. really implies u that the marginal worker—the worker whom t the transfer is only Just induced to employ-consume all that !

The Hedonistic school, in short, has no theory of distribution, ther does it seem very anxious to have one. It speaks, not of coters, but of productive services, whose relative contributions it is cested to discover. But it is one thing to know exactly what fraction to work is due to a certain unit of capital or a given individual man, and quite another to know whether workers or capitalist are being unfairly treated.

The best proof that the Hedonists are not mere advocates of latter faire is the general attitude of the leaders. It is true that the Austrian school has always shown uself quite indifferent to the social or working

<sup>1 &</sup>quot;For purposes of demonstration," 1339 Pareto, "we have assumed the exof private property. But to assume on the strength of the conclusion which we on private property. But to assume on the strength of the conclusion was a metabolished that a regime of private property gives the maximum of well-being a clearly be to beg the question."

This doctare a not accepted even by all the Hedonits. Walras especially a value of the hedonits of the hedonits of the hedonits. critical in the fourth education of the Leaguing Jac. M. A. Landry in his tasted at the 100 and 1 from the change for the chan (1904) and Iron feature of the Enumer per. M. A. Landry in his table to the deal it at least to receive in the flat of Ident (1907) have tred if not to denote the deal to the is sea to carrier runer in The Rate of Identit (1997) have tried u not so con-lined to carrier in by giving a more subtle analysis of the motives determined to the conference for a future transfer of the c The same to correct it by giving a more subile analysis of the motives determines for a future income at compared with a present one. This time-preference on the same preference on th presents for a luture income as compared with a present one. This one-of course, varies according to the fortune of each and other circumstances.

class question,1 as it is sometimes called, but it certainly has a perfect right to confine itself to pure economics if it wishes. The other leaders of the school, however, have clearly shown that the method followed need involve no such approval or acquiescence. Not to mention Stanley Jevons, who in his book Social Reform makes a very strong case for intervention, we have also Professor Walras, who stands in the front rank of agrarian socialists Leaving aside merely utilitarian considerations, he points out that in the interest of justice, which, as he has been careful to emphasize, involves quite a different point of view, he wants to establish a regime of absolutely free competition But how is this to be accomplished? Merely by means of lausez-faire, as the old Liberal school had thought? Not at all. It can only be done through the abolition of monopoly of every kind, and land monopoly, which is the foundation of every other, must go first. The reform advocated in his Economie sociale consists of two items, land nationalization and the abolition of all taxation. The two items are intimately connected because the rents now become the possession of the State will take the place of the taxes, and the object of both is the same, namely, the extension of free competition by securing to every citizen the full produce of his work. Under existing conditions the producer is doubly taxed-in the first place by the landowner and then by the State. Moreover, when we remember that the point of equilibrium in Walras's system occurs just where the selling price exactly coincides with the cost of production-in other words, where profit is reduced to zero-we begin to realize how far it is from anything in the nature of an anglogy for the present condition of things.

Viliredo Pareto, another representative of this school, although ultra-individualistic in his opinions and extremely hostile to interventionism or solidarity, takes good care not to connect his personal opinion with the Hedonistic doctrines. As a matter of fact he thinks that, theoretically at least, the maximum of well-being might be

We have already remarked on this in the case of M. Bohm-Baweik. This is another respect in which the Heisonich have shown themodes faulth to the Chanical tradition. The necessity for separating the art from the science of political economy, pure economical from applied, was epically emphasized by Converdible -Stenuti and Cherbidier. Pareto put it well when he said that the maximum of opheliumity can be put in the thatpee of an equation, but the maximum of hunce can not

This system, according to Walras, would possess another advortage in that in would facilitate the establishment of fee tends, which an include of the secureted feeling the establishment of fee tends, which as include of the secureted feeling that the second of the end of the second of the end of the tends of the end of the antientization of land would further result in the few sourcement of england labout to whatever place might prove most advantageous to them." (In First parties where it is the threadened, in qualities better in Englands searchin, Section 1997, which we will be the end of the The same thing applies to B. briellswerks collected they a interest. Indeed, B'thriellswerk quite definitely arts that he mediated the series wants to therever some explication of interest, but then not mixing that he will be able to partly it, and in that sprit he contens for other large that the will be able to partly it, and in that sprit he contens for other large to the the state of the mediate of the object is to those that interest in the mixing to the production had not to the differential advantages enjoyed by in posses. Neither is it a talk levied upon the exploited horrower it is imply tomographic. In other words, it represents the difference brounds value of a present good and one firm comme. It is just the result of exchanging a present good for as fainter on. I hundred frank a year hence are not equal in value to a hundred francher and now. To make them equal we must either add somiting by way of interest to the future item or take away something by an of divorunt from the present one.

Turning to the theory of wages, according to which the waged each class of producers is supposed to be determined by the profusivity of the marginal worker in that class, we are struck by the far that it is only a little less pessimistic than the old 'brazen law.' War it really implies to that the marginal worker—the worker when it mitightness is only just induced to employ—consumes all that be produced.

The Hedonistic school, in short, has no theory of distribution neither does it seem very anxious to have one. It speaks, not of sharers, but of productive services, whose relative countibutions is sharers, but of productive services, whose relative countibutions is interested to discover. But it is one thing to know exactly what facing of the work is due to a certain unit of capital or a given individual workman, and quite another to know whether workers or capitals are being unfairly treated.

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clearly be to beg the question."

"This doctrine is not accepted even by all the Hedonits. Walras specially into ritical in the found edition of his Economy jow. M. A. Landry in his short is Capital (1904) and Irving Father in The Rate of Fathers (1909) have tried if not observed in at least to correct it by giving a more studies analyses of the moires de preference for a future fations as compared with a present one. This coroning control is the control of the coroning accordance to the forms of each and other circumstances.

We may laugh as much as we like at the homo economicus, who is by this time little better than a skeleton, but it is the skeleton that has helped the science to stand upright and make progress. It has helped forward the process from the invertebrate to the vertebrate.

But admitting that all these doctrines have been definitely proved. as the Hedonists claim they have, is the science going to profit as much as they thought by it? Somebody has remarked that mathematics is a mere mill that grinds whatever is brought to it. The important question is, What is the corn like? In this case it consists of a mass of abstractions-a number of individuals actuated by the same selfish motives, alike in what they desire to get and are willing to give,1 the assumed ubiquity of capital and labour, facility for substitution, etc. It is possible enough that the flour coming from the mill may not prove very nutritious. When ground out the result would at any rate be as unlike reality as the new society outlined by Fourier, the Saint-Simonians, or the anarchists, and its realization quite as improbable, unless we presuppose an equally miraculous revolution. The Hedonists frankly recognize this, and in this respect they show themselves superior to the Classical economists, who when they talk of free competition believe that it actually exists.2

But however sceptical they are about the possibility of ever realizing all this, they are somewhat emphatic about the virtues of the new method, and they are not exempt, perhaps, from a certain measure of dogmatic pride which irreisitibly reminds one of the Utopian socialists. Could we not, for example, imagine Fourier writine in this strain:

Count we not, nor example, imagine router writing in this strain:
"What has already been accomplished is as nothing compared with
what may be discovered." (by the application of the mathematical
method); or "The new theories concerning cost of production have
the same fundamental importance in political economy that the
substitution of the Copernican for the Ptolemaic system has in
astronomy." We have already called attention to the comparison

<sup>&</sup>lt;sup>1</sup>"It is necessary to apply the law of the variation of intensity of need to each separate individual in relation to each one of his needs" (Aupetit, La Monneir, P 93)

<sup>9 93)</sup> \*It is only those Hedonuts who claim to be able to establish an exact science that make use of the mathematical and abstract method to the total exclusion of the historical and biological method. Preferent Marshall expressly defacts hismelf in favour of the buological method, and would advocate employing diagrams and curves as their as possible (Exement) James, March 1089, p. 100.

Pareto, Gurnali degli Economusti, September 1901.

Böhm-Bawerk, The Austron Economits, for al. On the other hand, one of the disciples of this school, M. Landry, writes: "To-day the Austrian school is somewhat played out" (I'Evols comowing, in Russis di Science, 1907). At the end of thirty years!—not a very long life.

DOCTRINES INSPIRED BY CHRISTIANIT of Walras's system with Newton's Principio-all of which ra of enthusiasm outrunning judgment.

While recognizing the very real services which the Ma and Austrian schools have rendered to the science, and adm they mark an cra in the history of economics which can forgotten, we cannot do better than conclude with the adv economist who is himself an authority both in the Mathemati Classical schools, and who is therefore well qualified to judge:

The most useful applications of mathematics to economic those which are short and simple and which employ sew up and which aim at throwing a bright light on some small part Steat economic movement rather than at representing its en

## CHAPTER II: DOCTRINES THAT OWE THEIR INSPIRATION TO CHRISTIANITY

Every one who knows the Bible at all or has the slightest acquaintance with the writings of the early Fathers must have been struck by the number of texts which they contain bearing upon social and economic questions. And one has only to reall the imprecations of the prophets as they contemplate the misdeeds of merchants and the greed of ladgrabbers, or strive to catch the spirit of the parables of Joss or I epistdes of the Fathers concerning the duty of the rich towards the poo

a point emphasized by Bostuct in his sermon on The Emiseat Digity of the Poor-or dip into the folios of the Canonists or the Samuel Aquinas, to realize how imperative were the demands of religion and with what revolutionary vehemence its claims were upheld.

But not until the middle of the nineteenth century do see meet with social doctrines of a definitely Christian type, and not till then do be witness the formation of schools of social thinkers who place the teaching of the Gospel in the forefront of their programme, hoping that it may supply them with a solution of current economic problem and with a plan of social reconstruction, a lt is not difficult to account Marchall Distribution and Leakney, in Economy Joseph March 1846.

a new man, commences and furthers in Economic Found, March 1898.

The need cells by reall the doctrons of many said the Resistance on the question all of it the outcome of Canonist teaching

is a new concern of Cannon tracking

A Catalog redease—long most beginner of the name of the Coas were no long to be a long to the catalog of nation in a book entitled Essat of Economic politics, published in 1832. "The practice world had ever seen," would read in the Exceed Systems of setal economic to the world had ever seen,"

for their appearance at this juncture. Their primary object was to bear witness to the heresy of socialism, and the nature of the object became more and more evident as socialism tended to become more materialistic and anti-Christian. It became the Church's one desire to win back souls from the nursuit of this new cult. It was the fear of seeing the people-her own people-enrol themselves under the red flag of the Anti-Christ that roused her ardour.1 But to regard it as a mere question of worldly rivalry would be childish and misleading. Rather must we see in it a reawakening of Christian conscience and a searching of heart as to whether the Church herself had not betrayed her Christ, and in contemplation of her heavenly had not forgotten her earthly mission, which was equally a part of her message; whether in repeating the Lord's Prayer for the coming of the Kingdom and the giving of daily bread she had forgotten that the Kingdom was to be established on earth and that the daily bread meant, not charity, but the wages of labour.

Both doctranes and schools are of a most heterogeneous character, ranging from authoritative conservatism to almost revolutionary anarchism, and it will not be without some effort that we shall include them all within the limits of a single chapter. But it is not impossible to point to certain common characteristics, both positive and negative, which entitle us to regard them all as members of one family.

As a negative trait we have their unanimous repudiation of Classical Liberalism. This does not necessarily imply a disposition to invoke State aid, for some of them, as we shall see, are opposed even to the idea of a State. Neither does it umply a denial of a 'natural order,' for under the name of Providence and as a mantiestation of the will of God the 'order' was a source of perennial delight to them. But man was to them an outrast without lost or portion in the 'order' Fallen and sindly, bereft of his freedom, it was impossible that of himself he should return to his former state of bilss. To leave the natural man alone, to deliver him over to the pursuit of personal interest in the hope that it might lead him to the good or result in the rediscovery of the lost way of Paradise, was clearly abund. It was as futile in the economic as it was in the religious sphere. On the contrary, the Christian achools maintained that the 'natural' man, the old man, the

<sup>&</sup>lt;sup>1</sup> "Catholicism alone has the necessary cohesion and power to withstand socialism, which has been erected upon the ruins of the Laberal system " (Comte de Mun, Le Querton sonale as XIXs wells, 1900).
"There is no need to think of the Church as a kind of gendarme in caspock flinging."

<sup>&</sup>quot;There is no need to think of the Church as a kind of gendarme in cassock finging itself against the people in the interest of capital. Rather it should be understood that it is working in the interests and solely for the defence of the weak." (Comite de Mun, Dissurs, April 1801.)

DOCTRINES INSPIRED BY CHRISTIANIT first Adam of the New Testament, must somehow be got a room could be found for the new man within us. Ever force, whether religious, moral, or merely social, must be keep people from the dangerous slope down which egois

The new doctrines are also distinct from socialism, despite that their followers frequently outbid the socialists in the bitte their attacks upon capital and the present organization of They refuse to believe that the creation of a new society in the Any score to occuere that the elecation of a new society in on of a change in economic conditions or environment is enough individual must also be changed. To those who questioned C as to when the Kingdom of God should come, He replied, "The I as to when the Edigmont is too mouto come, He repues, and done of God cometh not with observation ... for, behold, the kings of God is within you," and His answer is witness to the fact that so justice will only reign when it has achieved victory over human hear Social Christianity must never be compared with the socialism of the Liberals or the Associationists, for the latter believed man to be naturally good apart from the deteriorating effects of civilization. Nor must it ever be classed with the collectivism of Marx, which has its bass in a materialistic conception of history and class war. Some of three Christian authors, it is true, regard State Socialism with certain degree of favour and would possibly welcome cooperation, but to most of them legal coercion does not seem very attractive and they prefer to put their faith in associations such as the family, the corporation, or the co-operative society. We could hardly eper otherwise, seeing that every church is an organization of some kind or other. The Catholic Church especially, whatever opinion we may have of it, is at once the greatest and the noblest association that ever Chired. Its bonds are even stronger than death. The Church militant below joins hands with the Church triumphant above, the living praying for the dead and the dead interceding for the living.

From a constructive standpoint they dely classification. They have The Social Carintina somewhere make the remark that even if the orthodox an occasi narintana somemore mass the estimat that even is the nomemore consistency of creation as desirated to comprehen before the containing of the architecture. Account a Vision is around to coappear before the analoging of the resistance of coal coappear before the analoging of the resistance of the coal coappear and the problem would marrie be instanted. the state of the s with the strong on contrasty to get rat on the "out man." The has," says Evaluation of the stronger was over the more primitive limitates of our gather." (Rose de Dear Mondes, May 1, 1895).

Action in Section 2 was 1, 100).

Kild in its Cama Emission a week which attracted great attraction when it was Ance in our company of the company is not a ware attracted great attraction when it was a property of in 10-year attraction when it was a company of the Derivation of the party as Christians III. for personate in 1974, amongo so apply the translation theory at Chebrary In-keeps the December Specifics that the strongle for abstract and other than the strongle for abstract and assert and assert and assert and assert and assert and assert as the strongle for the strongle the principle of progress. But the strengt may former, for the strengt of the str CHICAGO HAR MANAGEMENT AND A PROPERTY AND THE METERS AND THE METER

a common aspiration in their hope of a society where all men will be biothers, children of the one Heavenly Father, but many are the ways of attaining this finternal ideal. In the same spirit they speak of a just price and a fair wage much as the Canonists of the Middle Ages did. In other words, they refuse to regard human labour as a mere commodity whose value varies according to the laws of supply and demand. The labour of men is sacred, and Roman law even refused to recognize bartering in res sorse. But when it becomes a question of formulating means of doing this, the ways divide. Numerous as are the Biblical tests which bear upon social and economic questions, they are extraordinarily vague. At least they seem capable of affording support to the most divergent doctrines.

Some might consider it a mistake to devote a whole chapter to these doctrines, seeing that they are moral rather than economic, and that, with perhaps the exception of Le Play, who is only indirectly connected with this school, we have no names that can be compared with those already mentioned. But not a few intellectual movements are of an anonymous character. The importance of a doctrine ought not to be measured by the illustrious character of its sponsor so much as by the effect which it has had upon the minds of men. No one will be prepared to deny the influence which these doctrines have exercised upon religious people, an influence greater than either Fourier's. Saint-Simon's, or Proudhon's. Moreover, they are connected with the development of important economic institutions, such as the attempt to revive the system of corporations in Austria, the establishment of rural banks in Germany and France, the development of co-operative societies in England, the growth of temperance societies . the agitation for Sunday rest, etc. Nor must we forget that the pioneers of factory legislation, the founders of workmen's institutes, men like Lord Shaftesbury in England, Pastor Oberlin, and Daniel Legrand the manufactures, were really Christian Socialists.

### I: LE PLAY'S SCHOOL

Le Play's school is very closely related to the Classical Liberal,

<sup>1</sup> It was no Christian Socialist, but Auguste Comte, the founder of Positivism, who wrote: "The original equality of norn is not a doctrine founded simply upon the observation of social facts. It was only clearly affirmed for the first time by Christianity," (Trial de Palitique, Vol. I, p. 407)

8 Prederic Le Play (1806-82) was a mining engineer, and was educated at the Excle polyrechidque. He subsequently became a professor at the Ecole des Munes and a Commeller d'East. In 1835, he published a collection of monographs dealing with working-class families under the tutle of Les Oueron engines, in one volume (the second cluton, which appeared in 1877, consistent of an volume). In 1866, he second cluton, which appeared in 1877, to maked of an volume). In 1866, he



be revived in the midst of our complex social relations. But parental control cannot always be relied upon, for the parent is frequently engrossed with the other demands of life, and there is positive need for some social authority. This new social authority will not be the State—that is, if Le Play can possibly avoid it. The first chance will be given to 'natural' authorities—those authorities which rise up spontaneously. The nobility is well fitted for the task where it exists. In the absence of nobility, or where, as was unfortunately the case in France, they were impervious to a sense of duty, society must fall back upon the landed proprietors, the employers, and persons of ripe judgment-men who hardly deserve the title of savants, but nevertheless with considerable experience of life. Failing these it could still appeal to the local authorities, to those living nearest the persons concerned, to the parish rather than the county, the county rather than the State. State intervention is indispensable only when all other authorities have failed-in the enforcement of Sunday observance, for example, where the ruling classes have shown a disposition to despise it. The necessity for State intervention is evidence of disease within the State, and the degree of intervention affords some index of the extent of the malady.1

Seeing that he attaches such importance to the constitution of the family, Le Play is also bound to give equal prominence to the question of entail, which determines the permanence of the family. Herein lies the kernel of Le Play's system. He distinguishes three types of families: Vi. The patriarchal family. The father is the sole proprietor, or, more correctly, he is the chief administrator of all family affairs. At his death all goods pass by full title to the eldest son. Such is the most ancient form of government of which we have any record. It is the political counterpart of the pastoral regime, and both may still be seen in full governation on the Russian stropes.

J. The family group. Children and grandchildren no longer remain under paternal authority throughout life. With a single exception they leave the family hearth and proceed to found new homes. Whoever remains at home becomes the heir, after first becoming his father's associate during the latter's lifetime. He becomes the new head of the family by paternal with, and not of legal right or necessity. The property thus passes to the worthiest, to him who is thought best able to preserve it. It is this regime, Le Play thinks, that explain the extraordinary stability of China: and the

<sup>&</sup>lt;sup>1</sup> "It is the great misfortune of France that the family should be immersed in the commune, the commune in the department, the department in the State." (Lo R/oms rockin, Vol. III, Book VII.)

DOCTRINES INSPIRED BY CHRISTIANITY same system, though somewhat shaken, is the source of England strength and vitality. There were some parts of France where, in spite of the Civil Code, a similar system was still in vogue. There as one such family in particular, that of the Pyrenean peasant Melouga, whose history showed a wonderful continuity, and the story of that family recurs as a kind of leitmetic through the whole of the writing of Le Play and his immediate disciples. The Melouga family has since become extinct.

3. The unstable family, where all the children, as soon as they arme at maturity, quit the home and set up for themselves. At the father) death the family, already scattered, is completely disolved. Th patrimony is divided equally between all its members, and any but ness which the father may have possessed, whether agricultural or industrial, goes into immediate liquidation. This is the regime bof individualism which is characteristic of all modern secie especially France.

Le Play's sympathy is entirely with the second, for the family gro seems to hold the balance evenly between the two antagonistic for which are both indispensable for the welfare of society, namely, th spirit of conservatism and the spirit of innovation. Under the path archal system the former preponderates, while under the regime of the unstable family it is utterly wanting. The latter reminds us of Penclope's web—each generation making a fresh beginning. But this periodical division of wealth fails to give the desired degree of equality. for the removal of every trace of solidarity between the members mean that the one may become rich and the other sink into poverty. Every one fights for his own hand. Moreover, when children only remain with their parents for just a short period of tutelage there is a powerful incentive given to race-suicide, as a clearly shown in the case of France. As soon as the offspring find themselves in a position of selfnufficiency they leave the old home, just at the young animal door Under such circumstances it is clearly to the interest of parents to have as few children as possible,

The family group, on the other hand, entrusts its traditions and their preceivation to the keeping of the child who remains at home Those who leave have their way to make, and become heirs of that

I wil (the patrarchal regune) to all matters relating to reconomic action or to ocial fee door stretter stardment to the past than convert for the future. Observed to the harmon state of to the loss one states than unitation to the past than covered for the future. Observed that is unitative. The Limity group tends to armst the extension and the future. a we show control than unitation. He family group tends to arrest the enveryone in a somewhat for a somewhat fo would make the second of the more interpretation Minates the laws both of nature and morally,"

industrial spirit which has made England the mistress of the world. True fraternal equality is also preserved, for the old home always remains open—a harbour of refuge to those who fail in the industrial struggle. To mention but one instance, the 'old maid,' whose lot is often exceedingly hard, need never be without a home.

Apart from moral reform, there seemed only one way of establishing the family group in France, namely, by greater freedom of bequest, or at the very least by increasing the amount of goods that may be given to any one child, so that a father might be able to transmit the whole of his hand or his business to any one of his children on condition that the heir fairly indemnified each of his brothers should their respective shares be insufficient.<sup>1</sup>

Å father's authority over his children is an undispensable element in the stability of society, and a master's authority over his men, though derivative in character, is scarcely less so. The continuance of social peace largely depends upon the latter, and the preservation of social peace should be the essential aim of social science. We are continually meeting with the expression 'social peace' in the writings of Le Play and his school, and the associations which they founded became known as "Unions of Social Peace."

Play's first essay, an admirably planned Expension of Social Economics, was published in 1869. The sole object of its author was to further the establishment of such institutions as were likely to promote understanding among all persons employed in the production of the same goods. We might even be tempted to say that the whole co-partnership movement started by Dollits at Mulhouse in 1850 with the utterance of the famous phrase, "The master owes something to the worker beyond his mere wages," was inspired by Le Play.\* Le Play pinned his faith to the benevolent matter: It was quite natural that the apostle of the family group should regard the factory as possessing a great deal of the stability and many of the other characteristics of the

<sup>&</sup>lt;sup>3</sup> Le Play, who had some influence over Napoleon III, trice to get him to concert to some each modification of the Givil Code. But the Emperor, though Evourably inchined, and depot as he was, dared not alienate public sympathy to the matter. And really father seldom exercised the full authority which the law gives them at one time. The evil, then, if it is an evil, is deeper than Le Play imagined, and seems to be more rather than legal.

moral rather than legal.

"Human societies should aim not so much at the creation of wealth as such, but rather at increasing the well-being of mankind. Well-being includes daily bread, but it does not exclude social peace." (Claudio Jannet in a lecture on Les Quatre Eoles & Economic socials)

<sup>&</sup>lt;sup>8</sup>We must remember that these were the orthodox views then. Villermé, writing in 1840 in his celebrated Tabless de l'État word et physique des secrues, thought it was the employers really who could best improve the circumstances and character of the workers.

DOCTRINGS INSPIRED BY CHRISTIANITY family, such as its quasi-permanent engagements and its various grades of working men all grouped together under the authority of a

Le Play's thesis that the salvation of the working classes can only come from above seems to have even less foundation than the opposite doctrine of syndicalism, which claims that their deliverance is in the Own hands, and it was once for all refuted in a brilliant passage of

No times can be pointed out in which the higher classes of or any other country performed a part ven distantly room the one augment them in this theory. All privileged and pow classes as such have used their power in the interest of their selfishness. I do not affirm that what has always been a advays be. This at least seems to be undentable, that long be the superior classes could be sufficiently impired to govern in t ditchary manner supposed, the inferior classes would be too mu improved to be so governed.

Besides the master and the State there was still another factor or social progress which is of prime importance at the present dine, namely, working men's unions. One might reasonably have expected a more sympathetic treatment for them at Le Play's hands, especially When we remember that they were proscribed by the "false dogmat of '99." But he had little faith in union, whether a corporation or a co-operative society.\* Trade unionism especially seemed rather meless, because it tended to destroy the more natural and more efficient organization which appeared to him to be merely an extension of the family group. It is true that Le Play never saw unionism in operat but it is hardly probable that he would have modified his opini At any rate, the attitude of his disciples is not much more favourable

One feels tempted to say that there is nothing very new in all th The remark would have been particularly gratifying to Le Play, wh Onsidered that invention was impossible in social science and that hat he himself had done was merely to make a discovery. The discovery of "the essential constitution of humanity," as he

led it, was, he thought, the outcome of his methods of observation method was really always more important than his doctrine. It

We get some idea of the importance which he attributed to the permanence of engagements when we realize that he contemplated the attributed to the permanen-measure of reeye. It a Return to the contemplated the abolition of slavery with a measure of regret. (La Riforms sociale.)

Armong the Panacess advocated in our time none has been more criticate than the continue. \*association,\* From a practical point of view these societies seem to present once of the advantage.

Advantage on practical point of view these societies seem to present once of with a contraction or with a the advantage ordinarily associated either with couplete independence or with a well-masserd business consisted either with couplete independence or with a well-managed business concern."

has always enjoyed a considerable measure of success, and it seems as if it will survive the doctrine. Le Play was brought up as a mining engineer and had travelled extensively. Twenty years of his life had been spent in this way, and during that period he had travelled over almost the whole of Europe, even as far as the Urals. It was while staying in the neighbourhood of those mountains that he concived the idea of writing monographs dealing with undivodual families belonging to the working clauses, a method of investigation which he is never weary of contrasting with that other "disdainful method of invention."

To write a family monograph<sup>3</sup> d l l L Play is not merely to relate its history, to describe its mode of life, and to analyse its means of suistence, but also to sum up its daily life in a kind of double-entry book-keeping where every item of expenditure is carefully compared and balanced with the receipts. But there is much that is artificial and a great deal that is childish in this seemingly mathematical and a great deal that is childish in this seemingly mathematical precision, where not merely economic wants but such needs as those of education, of recreation, and of intemperance, virtues as well as vices, are catalogued and reckoned in terms of  $\mathcal{L}$  s . d Its advantage lies in its holding the attention of the observer, even when he is a mere novice at the work, by obliging him to put something in every column and allowing nothing to except his notice. d

But when Le Play proceeds to declare that this method has revealed the truth to him and helped him to formulate the doctrines of which we have just given a refume it really seems as if he were making a great mistake. Actually it has only revealed what Le Play expected to find; in other hands it might have yielded quite different results. He declares that it has proved to him that only those families which

<sup>1.&</sup>quot;I have requently posted as much as 1000 kilometres in order to consult some eminent landowner haing on the confines of Europe." (Letter to M. de Ribbes, October 3, 1867)

<sup>2 &</sup>quot;This method is based upon a careful observation of each fact and its past history. Nothing is left to the imagination, the presupposition, or the prejudices of the observer. It is essentially scientific and exact." (La Rforms et Empt.)

<sup>&</sup>lt;sup>2</sup> These mongraphs appeared first of all, as we have seen, in his great work on the Luropean workness in 1855. The work has been carried on by his disciples and the results incorporated in the Durares de date makes, which numbers about a hundred whames. They have also employed the method in writing monographs on industries and communes, etc.

The method requires supplementing by reference to statistics of population and wages, which can only be supplied, of course, by Governments.

<sup>\* &</sup>quot;The comparison of receipts and expenditure should help to discover any overtight, just as the weight of a chemical substance both before and after an experiment helps to determine the nature of the chemical reaction" (Bureau, L'Œuere & Hosti & Townill)

DOCTRINES INSPIRED BY CHRISTIANITY are grouped under paternal authority and which obey the Ten are groupers under penersical aumority and winch over the eco-mandments are really happy. That may be, but how well instantants are stany tappy. And may be, but now now Admin a happy family? A happy family is one that deells in a second section. and abute in the love of God," He has thus armed himelf with definite a prary criterion of happinen; but there is nothing to prethat the untable disorganized Limity of the Parisian factory has may not be infinitely more happy than the family group of Melon or the pattiarchal family of the Bathkirs of Turkestan.

A companion has often been drawn between Le Play's school and the German Historical school. It is pointed out that both school br great emphasis upon the method of observation and focus attention upon the institutions of the part, and that to some extent they body represent a reaction against Liberalism and Classical optimism. But the resemblance is wholly superficial. At bottom the two schools 2not merely different, but even divergent. The German school set the explanation of the present in the past, while Le Play's school is mercly out to learn a few lessons. The one studies the germ which is to develop and to bear fruit, while the other admires the type and the model to which it thinks it necessary to conform. The one is evoltionary, the other traditional, and the conclusions of the former are radical in the extreme, and even socialatic, while those of the latter are usually conservative.

And so Le Play's true position is in the chapter dealing with Social Christianity, and not among the writers of the Historical school.

His umhaken belief in the natural propensity of man to cell a error is sufficient to give him his place. But we must beware of co fusing his doctrine with that of the Social Catholics, for, unlike then he is rather prone to invoke the authority of the Mossic law, especially the Decalogue, and to take his illustrations from England, which is a Protestant country, or from China or Mohammedan Luda. His inportance among authorities on social questions is not very great, but his attitude towards Church and clergy was on the whole defiant.

I With a good deal of candour he admits officing a reward to anyone who could be a made harmon for the state of the state though the strict agree of candau be admit offering a reward to appear one candau addit. "All me offers remark of the strict and the strict agree was conditions of this land." "See " stops any a single pappy tamily except under conditions of this land. Does a strong or the land of the Wifeen Left Province Province Province | Last Germany proposes, vo. 4.5 per left province | Last Germany proposes, vo. 4.5 per left province of posicies of posicies implies A double foundation—the Decalogue and parental authority.

A account commission—for accurage and partial summers,
A model inter-eclipson and sovereigns, and
Three kind of material—the community private property, and employers,
and in the characterial accounts of observation has a very pr we cannot help disking that the community, private property, and empsyma-noment train of hydroxyman in the so-called method of observation has a very preounced trust of cognitum in in constitution.

"The principal object to aim at here is the limitation of the ecclainated personnel

"The bad by

with a view to kepfing them all fully employed on as he adds limitation of the ecclesiastical procur-tions antinostic. Such as the adds later on. He had the name anipathy to religious congregations as he had so other forms of association.

and the plan of reform of which we have just given an outline is very different from that of the Social Catholics.

There was a schism in the school in 1885. The "Unions of Social Peace," with their organ La Résorme sociale, on the whole remained faithful to the programme as outlined in this chapter. The dissenting branch, on the other hand, with Demolins and the Abbé de Tourville as leaders, developed the doctrine on its ultra-individualistic or Spencerian side, so that only in origin could it be regarded as at all connected with the school of Le Play.

The "School of Social Science," as it was called-at least, that was the name it gave to its review-claimed that it was still faithful to the method of the master. It even went so far as to say that Le Play was ignorant of the full possibilities of this method, and condemned his failure to establish a positive science by means of it. In reality, however, the master's method had quite a subordinate role in the activities of this school, for the simple reason that it was practically useless except for the production of monographs. The school arranged its facts according to their natural relations, and attempted to link the study of social science to the study of geographical environment.1 The study of environment received some attention in the works of Le Play himself, but it assumed much preater importance after then. To give but a single instance, the school attempted to show how the configuration of the Norwegian fiord, the almost complete absence of arable land, and the consequent recourse to fishing as a means of livelihood, even the very dimensions of their sea-craft, helped to fix the type of family and even the political and economic constitutions prevalent among the Anglo-Saxon race. In a similar fashion, the vast steppes of central and southern Asia had begotten a civilization of their own. It was the Historical materialism of the Marxian school reappearing in the more picturesque and more suggestive guise of geographical determinism.

The new school, however, was not very favourably inclined to Le Play's programme of social reform, especially its teaching concerning the family. Their aim was not the preservation of the family, but the placing of each child in a position to found a family of his own as soon as possible. Their object was neither family nor communal solidarity, but self-help, not the family group, but the single individual

<sup>1 &</sup>quot;No social phenomenon can ever be explained if it is taken out of its own setting.

All social science is based upon this law." (Demolus, La Clamfeation sociale)

The amiliarity noted here has given rise to emphatic protests on the part of certain members of this school. There is no need to take offence at the epithet, however, provided we are careful to distinguish it from philosophic materialism and recognize that it does not necessarily exclude idealum.



advanced of the Social Catholics of to-day, on the other hand, would be well satisfied could they establish some kind of understanding between the Church and democracy. Such at least was the programme laid down by Marc Sangnier, the founder of the Sillon.

About the same time we find Monseigneur von Ketteler, Bishop of Mayenee, preaching a doctrine which drew its inspiration, not from "the Fuke degmas of '09," but from the institutional life of the Middle Ages, from the guilds and the other corporative associations, which are minutely described by him and his disciples, especially Canon Monfang and the Able Hittee. Some such institutional activity was again to form the correct-stone of Social Catholicism.

During the period of the Second Empire most of the Social Catholic seem to have fallen asleep, but they were aroused from their slumbers by the disaster of 1630. The Marquis de La Tour du Pm³ and Count Albert de Mun proved the inspirers this time, and the noble eloquence of the latter, which led to the formation of unions of Catholic working men, was instrumental in giving the movement a vigorous start. The same period witnessed the appearance of L'Aussestim catholique, a review which took as its programme the study of economic facts in a Catholic spirit—an object that has always been kept steadily in view.

Organization in the form of corporations was given first place in the Social Catholic programme.\* Le Play's corner-stone—the family

<sup>1</sup> Ketteler's principal writings were published in France in 1854 under the title of La Quarton survival of Collination. He could never make up his mind as between the corporative and the co-operative ideal, however. The latter was very much to the front just then, not only in France, but also with the English Christian Sexualita and with the German reculate Lazalle. This was before the co-operative movement was exherted by reade unionam.

Vites, however, shows note of his matter's benation, but emphasically declares that the position of the social question is essentially and exclusively bound up with a magnitude of trades and profession. We must have the medical regime of the problem than two which reasted extent before the must have the medical regime with the problem than two which reasted exhet before or after, Of come times have thanged, and certain features of the medical regime would need modification. But some the problem than two properties of the problem than the properties of the problem than the probl

His actucke have been collected in two volumes: Vers un order Social cheeten (1907), and Aphenismes de politique sociale (1909).

"We must direct all our private initiative and concentrate public attention upon this one reform—the corporative reorganization of society" (Programme de l'Œure des erides ournet. April 1984)

Cooperative association is damissed altogether. The Social Catholite have repectally talker sympathy with the small retail operaturity stores, because they threaten the existence of the small merchant and the small artistan—types of individual that are dear to the heart of the Catholite. On the other hand, it shows used very favourably inclined towards co-operative credit, because of the possibility of saming the claims alterly preferred to—the inobjectoper and the small unverbant r

DOCTRINES INSPIRED BY CHRISTIANITY organization—was not rejected, but they considered that though the family was to remain the basis for moral reform a wider associate an economic character must serve as a basis for economic reform

At first sight this may seem somewhat surprising. The conne between these professional associations and the teaching of the Go is not very evident, nor is it very clear how such organizations on ever hope to Christianize society. But although the Gopels loc nothing of a corporative or any other regime we must not forget the prominence during the Middle Ages when the authority of the Church was in the ascendant. As long as this regime lasted what we understand as the social question—the vexed problem as to whether we possess sufficient moral strength to keep the peace between capital and labour—never presented itself. The problem is, of course, some what different to-day, but its solution may possibly require the exercise of similar virtues, namely, obedience to a detailed system of organization coupled with a feeling of brotherhood—the chastening of the whole complexity of social relations by the spirit of Christianity.

Some of their opponents have not hesitated to charge these Cath with a desire to return to the feudalism of the Middle Ages, whit of course utterly false. What the Social Catholics wished to do wa build up the new social structure upon the basis of the modern to union, or upon syndicalism; and the proof that the foundation is n at any rate too narrow lies in the fact that the new schools of socials can conceive of none better. With this as the foundation they looks forward not merely to the development of a new society, but also to the rise of a new ethic. The fact that they forestalled the socialists in this respect shows that the Social Catholics were at least not hopelessly antiquated.

Early in the history of the movement they tried to organize a kind of mixed space consisting both of masters and men, became this scened to them to offer the best guarantee for social peace. But the raults proved disappointing, and they were soon forced to relinquish that idea and to content themselves with a separate organization of masters and men co-operating only in matters relating to the regular tion of work or the settling of differences. Such collateral unions, it

I to 1894 the Congress of Catholic Circles which met at Rheims declared that 1894 the Congress of Catholic Circles which met at Rheims declares uses, without infinitaling the difficulties which stand in the way of extending the mindreturns reasonable for cathestice which stand in the way of extreasing the norms of the leafunction of such products the form that of such products must be our chief aim. In 1909 Father Rates, one of the leafunction of the young the original of the product must be out third sim." In 1904 is the room of the leaders of the Belgian Catholic Syndical intercents, in a report so the product of the one to use ensory or the Pelpina Catholic Syndexis movement, in a report on or syndexis movement writes as follows: "We do not depair of the mixed point, which is there-we resent, at the large "We do not depair of the mixed point, and the large with the large w synancian movement writes as follows: "We do not depair of the mives grown which in theory we certainly think is nevert perfection. But we must not fold one where the following the state of the state area to such, and abother we will or no we have to admit that at the propert nonzero.

(Quoted by Buchero. Canada, and Corey hundred seems quite Ungian." the muses preside in ninety industries out or every numer (Quoted by Dechesse, Spaliests Oscilers belges, p. 76; 1906)

was at first thought, would gradually become the organs of labour legislation, and the State would entrust them with the discharge of that function because of their greater freedom in the making of experiments. All questions affecting the interests of a trade, the hours of labour. Sunday observance, apprenticeship, the sanitary condition of the workshops, the labour of women and children, and even the rate of wages paid, instead of being regulated as they are at present by brutal, inflexible laws which are seldom suited to meet every individual case, would henceforth be settled by the union, and the rules of the union would be incumbent upon all the members of the trade or profession, both masters and men. Every one would be free to enter the union or to decline membership just as he chose, but no member would be allowed to violate the rules of the union or to lower the conditions of labour in any way. "Free association within an organized profession," such is the formula.1

To those Liberals who feign indignation at seeing purely private institutions thus invested with legislative authority it may be answered that the 'labour union' so constituted forms an association which is as natural and as necessary-understanding by this that it is independent of the voluntary conventions of the parties interested-as one based upon community of residence. Everybody admits that the inhabitants of the commune ought to submit to the rule of the organized majority. What difference would it make if the majority thus organized constituted a corporation rather than a commune?2

Some go as far as to regard these professional associations as possessed of an important political role, and would even go the length of making

Such is the programme as outlined especially in Austria, which is one of the countries where Social Catholicism seems fairly powerful. As a matter of fact, the corporative regime has never quite disappeared there, and for some years now attempts have been made to revive it in the smaller crafts. The new corporation would take the form of a centralized organization, whose regulations would be obligatory upon all the members of the craft.

3 "The commune has always been organized. Is there any reason why the trade should not be? In both cases special relations are established, special needs arme, there are frequent conflicts and occasional harmony between the different interests. But all of them are nevertheless intimately bound together, and the links connecting them must be co-ordinated on some regular plan if every one is to be safe, and free to follow his own bent." (Henri Lorus, Principes de l'Organisation professionnelle, in L'Association catholiour, July 18, 1802.)

To this it might be replied that the majority generally makes the law for the commune, but that in the case of a free corporation it is often the minority that rules. To which it might be retorted that the so-called majority is often not better than a minority of the electors, and a very small minority indeed of the whole inhabitants -who of course include women, who generally have no votes. Moreover, as soon as the rules of the medical became really obligatory the majority if not the whole of the

workers in the trade would be found within the union,

this new corporative unit the basis of a new franchise for the election of at least one of the two Chambers.

It is not very easy, perhaps, to get a clear idea of what a society built

It is not very easy, perhaps, to get a clear idea of what a society built upon a plan of this kind would really be like, but the difficulty is no greater in this case than in some others.

In the first place is would have to be a society professing the Cathole Shirls. Should she execute of religion or even the indifferent by an observe ever gain the aggree hand in the social unit the whole structure would brought in the theory of the proposition. It is realization, accordingly, is gained providered as

The court is a society founded upon brotherhood in the full second second in the full sec

A wriety would be a pure hierarchy. All the authority and wave we are, all the duties involved, would be on the master's side would be rights respected, hie assured on the master's and a re-establishment of family life.

Catholicism further undertook to disprove the first article

We are Artison writes as follows in his Carrier Engagements, p. 13; "The wait women was fivered to completely haid until we have a complete previous of Engagement and the declaration of M. Loon Harmel in Libonium carriage for December 105." We can see only can remody, and that is that fix a manage of the Pope should be recognized all the world over, and has ruling accepted by a plaque.

The annual study recurrence which giv by the name of his Inneaso; minint, and when it that the test manuferations of the hand of acts mys which have if kinesisses, as the test recryptance, are not to exclusive. Encourage operations of all finds we ministed, but the programmes in not structly Catholic as all, and the have it will prove the test of the programmes in the structly Catholic as all, and the have it will prove the test of th

The expositions which would be any up indice the age of program would not appear to the program of the program

can only be accomplished by the workers themselves." It maintained that, on the contrary, this object could only be accomplished by the help of the masters and of all the other classes in society, not excluding even the non-professional classes, landed proprietors, rent-receivers, and consumers generally,1 all of whom ought to be informed of the responsibilities which their different positions impose upon them and of the special duty which is incumbent upon all men of making the most of the talents with which the Master has entrusted them.

The German Christliche Gewerkvereine, which got most of its recruits among the Catholics, took an important part in German political life and did something to counterbalance the 'Reds,' or the revolutionary socialists. They advocated the union of masters and men, but were extremely apprious not to be confused with the 'Yellows,' or those who advocated mixed unions. In other words, they were independent of both the masters and the socialists.

State intervention might be necessary at first in order to establish the cornorative regime, but once founded it would naturally monopolize all the legislative and police power which affects labour in any way, especially in the matter of fixing wages, 2 arranging pensions, etc. The legislature would still find ample material to exercise its powers upon outside these merely professional interests, especially in regulating the rights of property, prohibiting usury, protecting agriculture, etc.3

"The State," says the Immortale Dei, an Encyclical of Pope Leo XIII -repeating a text of St Paul-"is the minister of God for good." Elsewhere St Paul declares that the Law is the schoolmaster to bring us unto Christ, and if we paraphrase this to mean that the function of law is to lead men to a higher conception of brotherhood we have a fairly exact idea of what Social Catholicism considered to be the function of the State.

Between the corporatism preached by La Tour du Pin and Mgr

<sup>1</sup> The Ligue sociale d'Acheteurs, founded in Paris in 1990, is of Social Catholic inmiration. 4 "More important even than free will, whether of masters or of men, is that higher and more ancient law of natural justice which demands that wages should always be

sufficient to enable the worker to lead a sober and honest life. But lest the public authority in this case, as in some other analogous cases, such as the question of the length of the working day, should unwisely intervene, and in view of the great variety of circumstances, it is better that the solution abould be left in the hands of the corporations or the unions" (Encyclical, Renon Novemen, 1891)

The Social Catholics wherever found are usually Protectionists, the reason being that they think their "responsive regime could never be kept going without some protection against foreign competition," and also because most of their afherents are drawn from the ranks of the agricultural unions. (Programme de l'Carre des ereles PRITITE ATL T

DOUTRINES INSPIRED BY CHRISTIANITY Ketteler on the one hand, and that which has been advoca many writers since the end of the First World War on the there are striking resemblances. There is no doubt that the first largely the ancestor of the second, though generally speaking religious aspect is absent from the later forms. Corporatiun, like? Syndicalism in France and Guild Socialism in England, seems provide the long-sought middle way between the pure individuals of the liberals and the complete scaling of the socialists. The meeting of these three tendencies, arising in very different surroundings and e almost completely opposite political and social sympathics, is signifcant, and we have emphasized this in dealing with State Socialism As a matter of fact it is not easy to give a precise idea of this 'earporatism, because very varying formule are adopted by its adherent Gactan Firou, endeavouring to pick out its original features, define its specific character thus: "The function of corporation it to forms late rules to which every one in the profession must conform... Corporation means, therefore, something more than freely form groups with voluntary membership. It exists only if the corporation formed as a kind of statutory group, which within its own sphere make the law and imposes it on defaulters." If this is a true definition of corporatism, as we believe it to be, it is in the right line of descent from social catholicism. It includes the notion of 'community of labou' mentioned earlier as peculiar to the founders of the latter movement. Existing corporatism may not be a religious system, but none the l it owes its most characteristic formula to the Kettelers and La To du Fins. The success of their ideas after more than fifty years is on Cample among many of that unexpected shining-forth of doctrine long hidden under a bushel, when new circumstances suddenly provide the opportunity. What has given new life to the corporative idea is the need to find, at any cost, some organization capable, it is hoped, of ending the class conflict. It is thought that a new incentive to action has been found in the interest of the 'profession,' to take the place of class solidarity. It remains to be seen whether this interest, detached

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The pamphies, article, and books on Corporation, in Italy and France, wall g a borary. This iterature is very ability analyses in Gastan Froy's Line average and the contract of the cont all a unsage. Into interactive is very shiftedly analysed in Gattan Proof passes on Copperations (Sery, Para, 1938). In a matter of this lind actual revent seasons as a material of the lind actual revent seasons. corporations (SUT), same 1930). In a matter of this kind actual evens are measurable. The second of the substitution of the substitution of the second of the substitution of the second outertuing toan name prospects or plans in which corporation drive from ease are transactally. They Virtuous on an original theme are not very instruction, we have married to the contraction of the contr Assume that the stratum of an original three are not very instructive, as we form under about the origin of the filters, leaving to others the task of describing the are invery tomog me organ of the theme, leading to other the task of december to the extraction of the theme, leading to other the task of december to the extraction of the e the exponent of the state of the proposition of the entiring economic system. Assured the state of the proposition are generally not very askined with these forms. Jecun. As a superson or corporation are generally not very satisfied with three forms, proposed to be found, or considers that some of the latered with three forms, proposed to be found to be f the first like in mind, recognize that none or the house corporators corporated from the decided in the mind, recept in Spain; they are either too fastate or too synth and toe sacas as on mion, except in opens, may me No doubt the happy mean is not easy to achieve.

from any religious inspiration, will form a strong enough bond between the members of the corporation to put an end to their antagonisms, and, above all, whether corporatism, discredited since the last war by its alliance with the political systems that the war has destroyed, will not be born again under a new name.

Social Catholicism has sometimes shown very advanced tendencies. bringing it very near to socialism in the strict sense. But these tendencies have been confined to individual cases and have been formally condemned by Rome; those responsible for them have generally deferred to her authority.

It was Loesewitz in 1888 who made the first violent attack upon the so-called productivity theory of capital in L'Association catholique.1 It caused quite a sensation at the time, and provoked a disapproving reply from the Comte de Mun. Afterwards, however, the article became the programme of a party known as "Les ieunes Abbés." Nor must we omit to mention the growth of the Sillon, founded in 1890, the political ambition of whose members is the reconciliation of the Church and democracy and even republicanism, and whose economic aim is the abolition of the wave-earner and his master.2 This is also the aim of the syndicalists, and Article 2 of the Confédération générale du Travail (C.G.T.) declares that one of the avowed objects of the federation is the disappearance of the wage-earner and the removal of his master. Instead of seeking a solution of the problem in the parallel action of syndicats of men on the one hand and of masters on the other, it would suppress the latter altogether, leaving the men the right of possessing their own instruments of production and of keeping intact the produce of their labour. It is true that the Sillon has been put under the ban of the Pope, but this essentially syndicalist movement is still in existence, and its leaders have assumed great political influence since the end of the Second World War.

<sup>1 &</sup>quot;The so-called productivity of capital, which constitutes the greatest iniquity of profit-making society, and which is from an economical point of view the final cause of social suffering, is nothing better than a word invented to lude the real fact, namely, the appropriation of the fruits of labour by those who possess the instruments of labour." (Locsewitz, Legislation du Travail, in L'Association catholique, 1836).

Extract from a report of a meeting of the Sillon, November 1007-

<sup>&</sup>quot;MARC SANONIER. The social transformation which we desire to see, comrades, will aim, not at absorbing the individual, but rather at developing him. We want the factories, the nunes, and the industries in the possession, not of the State, but of groups of workers.

<sup>&</sup>quot;An INTERRUTTER. That is socialism.
"Mang Sangner. You can call it socialism if you like It makes no difference to me. But it is not the socialism of the socialists, of the centralizing socialists, We don't want to set the proletarians free from the control of the masters to put them under the immediate control of one great master, the State, we want the proletarians themselves, acting collectively, to become their own masters."

shown a predilection for the masters. "The problem is not how to asve the worker through his own efforts, but how to saxe him with the master's co-operation"—the benevolent master of Le Play's school over again. The right wing, moreover, thinks that the existing issuitions would prove quite equal to a solution of the so-called sof question if they were once thoroughly permeated with the Christia spirit or if the leaders really knew how to deal with the people.

#### III: SOCIAL PROTESTANTISM

Belief in the essentially individualistic nature of Protestandini fairly widespread. For confirmation there is the emphasia it has alsoy laid upon the personal nature of salvation and its denial of the necessity for any mediator between God and man, save only the Man Christogus, whereas Roman Catholicism teaches that only through the Church—that great community of the faithful—is salvation even possible. Protestantism is the religion of self-belp, and naturally enough its social teaching is somewhat coloured by its theological precontypions. Nor must we lose sight of its connection with middle-clus Liberalism; and thus while in politics it is generally regarded as belonging to the left, in matters economic it is generally on the extreer right.\*

Whatever truth there may be in this attempt to sum up its decrine and history, we shall find as a matter of actual fact that on recognic grounds it is much more advanced than the Social Catholic school; and its extreme left, far from being content with the extinction of the proletariat, also demands the abolition of private property and the establishment of complete communal life.

<sup>&</sup>lt;sup>2</sup> Microt, in L'Associator, catholyne, 1937, Vol. 11, p. 23. There is a Cathole Swall school which is laboral and individualist in intenderation, and which in prepared by such writers in the late Chaired Perup, professor and Control of Laborator of Laborator of the Swall by M. Rambauch of Laborator of the Swall by M. Rambauch of Laborator of the Swall by M. Rambauch of the Ra

<sup>\*\*</sup> Such, for example, is the opinion of Nits in his book on Cathole Socialism, and because of that rather unautifactory reason he only devotes a few pages to it.

necause os unit rainer unnitiatestory reason he only devotes a we pay to the large it.

There are several historical considerations that may with shall not pain he large it mind in dealing with the subject, such as, for example, the notable fact white Cacholic Church has always been opposed to itsury, it was Cabin and Cabino file Sumasse and the ancient juriar Dumoulin who first patched the present of stanging leaves of the subject of the calculate Church has always to the present of stanging leaves.

Social Protestantium, or Christian Socialism as it is known in England, has a birthday which may be determined with some degree of accuracy. It was in the year 1850 that there was founded in England a society for promoting working men's associations, having for its organ a paper entitled The Christine Socialist.<sup>3</sup> Its best-known representatives were Kingsley and Maurice, who subsequently became respectively professors of history and philosophy at Cambridge. A small number of lawyers also joined the society, among whom Ludlow, Hughes, and Vansitatts Neade are the most familiar names Kingsley was much in the public eye just then, not only because of his novel Alton Lecks, which is perhaps the earliest piece of socialistic fiction that we possess It is the story of a journeyman tailor and his suffering under the sweating system—the horrors of which were thus revealed to the public for the first time.<sup>3</sup>

The object which the Christian Socialsta\* had in view, as we have already seen, was the establishment of working men's associations. What type they should adopt as their model was not very easily determined. The trade unions, little known as yet, were just then struggling through the convulsions of their early infancy. Moscover, they were exclusively concerned with professional matters, with the strugglie for employment and the question of wages, and altogether did not seem very well fitted to develop the spirit of sacrifice and love which was indispensable for the realization of their ideal. Neither did the cooperative associations of consumers seem very attractive True, they had attained to some degree of success at Rochdale, but they were

<sup>&</sup>lt;sup>1</sup> The Christian Socialus was preceded by another paper called Politics for the People, founded in 1848, which may be taken as the burthday of the movement. In any case the date is ngulficant in view of the contemporary revolution in France. It is only just to note that Channing, the American pastor, who died in 1842, was

It is only just to note that Channing, the American pastor, who died in 1842, was one of the pioneers. His writings on social questions are still read.

Those who with for more information either on the history or on the other aspects of Social Christianity should consult the New Encyclopedia of Social Reform, published in America.

<sup>\*</sup>The following year Charlet Kinglete preached a sermon in London which caused with a sensation that the vace of the parts felt bound to protest against as tone even during the service. In the course of the sermon Kinglety remarked that any social system which enabled equant to become the possession of a few, which robbed enables are not to second the reasons of the distributed from user the contract of the c

training, was consumed as the strength of the Cherch's Mininge is the Windows.

Maurice declared that every one who is a Christian must also be a socialist. But the significance of the word 'socialist' has changed somewhat ince then. According to Maurice, "The motto of the socialist is co-operation; of the anti-to-calist, competition."

# DOCTRINES INSPIRED BY CHRISTIANITY

inspired by the teaching of Owen, which was definitely anti-Cu The fact also that they merely proposed to make life somewhi contly and a little more comfortable implied a certain mean Moleium which hardly fitted them to be the chosen vessels of the dispensation. And so the Christian Socialists naturally turned to attention to producers' associations, just as the earliest Social Catho had done before them. But it would be a mistake to imagine that the owed anything to Buchez, whom they appear to have ignored about Sether. The reawakened interest in the possibilities of association while exercised such a fascination over John Stuart Mill in 1848 had touched their imagination, and Ludlow, one of their number, had the good fortune to be resident in Paris, and so witnessed this glorious revisal Such associations seemed to be just the economic instruments needed is a transformation was ever to be effected, and the very process of erablishing them, it was hoped, would supply a useful mean discipline in the subordination of individual to collective interes But the process of disillusion proved as rapid as it was complete Contrary to what was the case in France, it cannot be said that the were ever really attempted in England. But the work of the 'Association' had not been altogether in rain.

Defeated in its attempts to arouse the worker from his lethargy, and thwarted in its efforts by legal restrictions of various kinds, it began a campaign in favour of a more liberal legislation in matters affecting the welfare of the working classes. The result was the passing of the Industrial and Provident Societies Acts of 1832-62, which conferred legal personality for the first time upon co-operative associations, with Consequent benefit to themselves and to other working men's associ-

The Christian Socialists thought that the methods by which their ideals might be attained were of quite secondary importance. Ex-Perience had taught them that voluntary association or legislation even by itself could never be of much avail until the whole mental calibre of the worker was changed. What they strove for above all else was moral reform, and whenever they use the word 'co-operation' they conceive of it not merely as a particular system of industry, but rather as the antithesis of the competitive regime or as the negation of the

I "There is no doubt about association being the form which industrial government will take in firstrue, and I have no doubt as to its sectors, but a preliminary random countries on the preliminary random water than the preliminary random countries. not not under and a nave no doubt as to its success, but a perhusary transport of the requisite ability over a couple of generations in necessary before the works. Cuterous section over a coppe of generations is necessary before us  $m_{\rm co}$ . And this is how over a couple of generations is necessary before us  $m_{\rm co}$ . And this is how over a couple of the make use of  $i_{\rm in}$ . (Kingley in 68.5) or recount anount or moral strength to make use of it." (Kingley is 1836)
And this is how State intervention appealed to him: "The devil is always endr to
the control of t urge us to change like and conversely appealed to him: "The devil is always reason never to auteur that an extension, hence and earth even, but takes good never to auteur that an extension that the conversely the second to be a sec

struggle for existence. Their thoughts are admirably summed up in a letter of Ludlow's to Maurice written from Paris in March 1848, in which he speaks of the necessity for "Christianizing socialism."

Christian Socialism in England, though it has survived its founders, has been obliged to change its programme. It has abandoned the idea of a producers' association, but still advocates other forms of cooperation. Its chief demand has been for a reorganization of private property, which is a particularly serious question in England, where the land is in the hands of a comparatively few people. In the words of the Psalmist, the Christian Socialists often cry out, "The earth is the Lord's," and they are never weary of pointing out how under the Mosaic law the land was redistributed every forty-nine years with a view to bringing it back to its original owners. And so it finds itself supporting the doctrines of Henry George, who may himself be classed as one of the Christian Socialists.1 There is also the Institutional Church, with its network of organizations for the satisfaction of the material, intellectual, and moral needs of the worker, which is a prominent feature of most modern protestant Churches. Moreover, several of the early Labour leaders-Keir Hardie, for example-were earnest Christians. The Federation of Brotherhoods, which at one time included over 2000 societies, with a membership of over a million working men, combined an ardent evangelical faith with a strong advocacy of socialism.2

In the United States of America Christian Socialism is still more aggressive and outspoken in its attacks upon capitalism. The earliest society of Christian Socialists was founded at Boston in 1898. Since then these associations have multiplied rapidly. One of them defines its objects in the following terms: "To help the message of Jesus to permeate the Christian Churches and to show that socialism is necessarily the economic expression of the Christian life." A little farther on it declares itself persuaded "that the ideal of socialism is identical with that of the Church, and that the gospel of the cooperative commonwealth is the Gospel of the Kingdom of God translated into economic terms."

For the other extreme—the extreme right—we must look to 

The official organ of the Christian Social Union, which is definitely connected 
with the Church of England, is the Economic Resine, published at Oxford—not to be 
confused with the Economic Paranal, which is published in London by the Royal

Economic Society.

E. Gounelle, Le Moscement des fraternilés.

Josiah Strong, director of the Institute of Social Service at New York, was the publisher of a review called The Couple of the Ringdom, which has for its programme "the study of ecosomic facts in the light of the Gospel," and in which he maintain that "if the world is ever to be Christianized industry must be Christianized first of

# DOCTRINES INSPIRED BY CHRISTIANITY

Germany. In 1858 Pastors Stocker and Took founded the Ci-Social Working Men's Party, which, despite its title, drew most recruits from the middle classes. Later on Stocker became t preacher, and during his occupation of that post this kind of socia found such favour in official quarters that he was able to say the was his personal conviction that a social revolution was within bounds of practical politics. But in 1890 the Emperor William II d mixed his pastor, and as a result Christian Socialism immediately lo its official status s

At the Congress of Erfurt in 1896 two young pastors of Frankfer named Naumann and Goehre tried to vin the adherence of the working classes by endeavouring to give the Protestant churches a more distinctively socialist bias. But the suggestion was condemned by the official Lutheran Church, the masters opposed is, and it received but very slight support from the Social Democrats. Altogether the movement proved abortive, and the pastors soon turned aside to other

In Switzerland also the movement made considerable headway, and in Professor Ragaz and Pastors Kutter\* and Pfluger it found advocates whose views were at any rate sufficiently advanced. In France there is at least one—there may possibly be more—Social

Protestant school. But as it only includes a small fraction of Protes tantism, which is itself in a hopeless minority, its influence is not very great. There are several important social movements, however, such

all On the question of unemployment, for example, he refers to to Matthew X. 6. and on the still more vered question of the closed or open shop we are referred to the closed or open shop we a Cornellian state (6, 56, 11/2 must also mention Rauschenbuch's elegant leaf Christianity and the Social Crists.

The well-known consust trusts of Richard T. Ely is another of the leader of this movement were concentrate Protessor Richard T. Ety is another or the survey of this if it is necessarily to must be come Herron, who caused some sensation by eclaring that it is recently to go well beyond collects un, which be third allogetier and out it is ferenary to go well beyond collections, which he think singerous with from "to" and featmonary. He adds that Karl Mars is a matted Tory compared while from the reactionary its and that has Marx is a crusted loty temperature for myone who accepts private property in any form whatever, or matters of communities are a crusted loty temperature. in matters of consumption, must reject Chrut."

At a conference held as Genera in 1891. At this conference M. Stocker defined a conference as Albora with a confer his programme a follows. "We do not believe that we can do anything without the best way also believe, "We do not believe that we can do anything without the can be seen to be seen that we can do anything without that the can do anything without the can be considered to t State, but we shall believe in the gold of association. We have fold the nature that ocate, out we also perseve in the spiral of association. We have told the mattern on will be a precedible to these. See a series of solving the question is a way that still be agreeable to their men. We have also told the workers that they must well be agreeable to their men. We have also told the workers that they must well. and to agreement to their men. We have also sold the workers that they must were

life was formable recodered to the control to they never obtain a better dualities.

If was formable recodered to the control to the c The was formally repudated by the Emperor in 1896 in a telegram addressed to a powerful employer, Baron Stumm.

Cocker us the author of a work entitled Three Month is a Workship. The hook has been a greas success and has produced a crop of infestions. as own a great success and has produced a crop of iminations.

\*\*Attitute's book for Mixture caused quite a flutter. The author attempts to show that me the country of the

Answers some the Miking caused quite a fluier. The author stempts to some units and stempts to some units and discipline of Christ, but have been discovered by the Church

as the crusades against alcoholism and pornography, the revival of co-operation and the demand for the erection of 'People's Palaces'known as Solidarités-which are entirely due to the activities of this school. An association for the inductive study of social questions was founded in 1887 by Pastor Gouth, another pastor named Tomy Fallot being its president and inspirer.1 At first the demands of this group were extremely moderate, co-operation being their only mode of action and solidarity their social doctrine. This new doctrine of solidarity, although rather belonging to the Radical wing, being the very antithesis of Christian charity, as we shall see by and by, was enthusiastically welcomed by the Social Protestants. The Protestants even claimed that it was originally their own peculiar doctrine, and that other schools merely borrowed it; for where can be found a fuller expression of the law of solidarity than the two Christian doctrines of the fall and redemption of man? "For as in Adam all die, even so in Christ shall all be made alive."

Curiously enough there is another group of young pastors who closely retemble what is known in Catholic circles as the Abbots' Party. They are disastified with the moderate claims of the Catholic as a whole, and like their American colleagues they demand the establishment of a form of collectivism.\* They think, at any rate, that the question of property ought to come up for consideration almost immediately.

In short, it seems true to say that in almost every country Social Christianity has taken over most of the elements of the socialist programme, and the change of title is an index to the difference of attitude.

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<sup>&</sup>lt;sup>1</sup> For over twenty years M. de Boyre, the leader of the co-operative movement in France, was the president, which confirms us in the supprior that the two schools had a common parentage, both really springing from the Ecole de Nimes. Periodical congresses are held in connession with it, and it also has a review called Le Christianus secol.

<sup>&</sup>lt;sup>1</sup> Pastor Tomy Fallot, the initiator of this movement, indicates the path that thould be followed thus: "The essential thing u to get a rough outline of that perfect type which is known as co-operation. Just now it seems the only hing that contains a prophecy of better times" (\*L'Aspin Bosse.) Compare this with Maurice's formula.

<sup>&</sup>quot;We are Social Christians because we are solidarists. In our search for solidarity we have found the Messah and Ha Kingdom. Solidarity is the layman's term, the Kingdom of God the theologian's, but the two are the same." (Gounelle, L'Acasi-Gard, 1907.)

This group found its earliest recruits among the young pastors who ministered in the great industrial towns (M. Wifred Monod at Rouen and M. Gourelle at Roubex, for example), and thus found itself in close touch with poverty, suffring, and discontent. But reveral laymen also joined it, among them being a son of the economit who was treated as the dozen of the Libral stool—Prédéne Paw.

The Christian Socialist group had a journal of its own, entitled L'Espor du

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DOCTRINES INSPIRED BY CHRISTIANITY In other words, Social Protestantism accepts the essential principles of international socialism, such as the socialization of the mean of production, class war, and internationalism, and endeavours to show that they are in complete accordance with the teaching of the Gopele

But the stress which it lays upon the necessity for moral refers saves Social Protestantism from being hopelessly confused with collectivism, and the fact that it believes that individual salvation is imposible without social transformation helps to distinguish it for individual Protestantism. Conversion implies a change of environ ment. What is the use of preaching chastity when people have to sleep together in the same room without distinction of age or of set "Society," says Fallot, "ought to be organized in such a fathon that salvation is at least possible for every one." "The regime of the great industry," says M. Gounelle, "is the greatest obstacle to the salvator of sinners that the religion of Christ has yet met." Protestant Socialism Femains individualistic in the sense that while seeking to suppers individualism in the form of egoism as a centripetal force, it wishes to uphold it and to strengthen it as a principle of disinterested activin as a centrifugal force. It takes for its motto those words of Vior which may be found carved on the pedestal of his statue at Lausane: "I want man to be his own master in order that he may give better service to everybody else,"s

## IV: THE MYSTICS

No review of Christian Social doctrines, however summary, co afford to omit the names of certain eminent writers who, though belonging to none of the above-mentioned schools, and having to definite standing either as socialists or economists, being for the met part littlesters, historians, and novelitts, have neverthelen lent the powerful support of their eloquence to the upholding of somewhi

for for add was that most area accuracl from Orist for my brether," or in for a count with that myself were accurred from Orbit for my benther, or m for Paul, an other words, if its not want so be aveal slows, and I shall be composed. And only when humanity as a whole has been saved above, and I shall be compro-ted by the humanity as a whole has been saved. And so the range is also true would an analysis on a n. of the has been saved. And so the range is also The would make the project of a whole has been saved. And so the example, it was a fine would make the first perfection of any primaril salesting to the primaril trius mouse successioner une eur resiseaum ce sur pro-of others - (W Manuel, Le Volum specialique de salet) on notice. 18 historical de Viden operatique de salut.)

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Tolstoy and Ruskin are the best-known representatives of this movement on the borderland of Social Christianity, although they are by no means the only ones.1 These two grand old men, who both died at an advanced age, appeared to their contemporaries in much the same light as the prophets of old did to Israel. True descendants of Isaiah and Jeremiah, they exultantly prophesied the downfall of capitalism-the modern Tyre and Sidon-and announced the coming of the New Jerusalem-the habitation of justice. Their language even is modelled on Holy Writ, and Ruskin, we know, was from his youth upward a diligent reader of the Bible.\* Both of them condemn the Hedonistic principle and dengunce money as an instrument of tyranny which has resulted in setting up something like a new system of slavery, \$ and they both advocate a return to manual labour as the only power that can free the individual and regenerate social life. They duffer, however, in their concention of future society, which to Ruskin must be aristocratic, chivalrous, and heroic, while Tolstoy lays stress upon its being equalitarian, communal, and above all ethical. The one looks at society from the standpoint of an aesthete, the other from that of a muzhik: the one would breed heroes, the other saints.

Thomas Carlyle also deserves mention. Among the numerous books which he worte we may mention, among others, his Pseuch Revolution (1837) and his Herses and Hers-worship. Chronologically he precedes both Tolistoy and Ruskin, and his influence upon economic thought was greater than either of thems. But we could hardly put him among the Christian Socialists because of his extreme individualism, and if he were to be given a place at all it would be with whiters as Ibsen and Nietrsche. In his influence, however, he resmbles Ruskin; and nowhere but in the choruses of the old Greek tragedies do we get anything approaching the declamations of these two writters against the economics order of their time.

<sup>1</sup> There are a great number of novels dealing with social questions. For the English novels bearing on this topic see M. Cazamian, La Roman social.

novels bearing on the topic see M. Cazamian, Ls Roman social.

So much was thus the case with Ruskin that Mme Brunhes has published a book called Ls Bible at Ruskin, and Tolytoy on his side has an edition of the Gospels to his credit which is said to be much nearer the original than the ordinary version of the

cason.

See For Clempra, parme. Tolstoy writes in a similar strain. Money is just a conventional sign giving the right or the possibility of clausing the service of others. But although money is allepowerful in the matter of exploiting the worker is a quite uncless when it comes to a question of furthering has well-being. There is a curious development of this thesis in Tolstoy's What us is a Doug!

<sup>&</sup>quot;All this has come of the spreading of that thrice accursed, thrice impious doctrine of the modern economist, that 'To do the best for yourself, is finally to do the best for others." Friends, our great Master said not so." (Ruskin, Creese of Wild Olies, Lecture II)

DOCTRINES INSPIRED BY CHRISTIANITY Carlyle is possibly the strongest adversary that the old Classical school ever encountered. It was he who spoke of political economy as the disnal science." That abstract creation of the Classican the economic man afforded him endless amusement, and he very apply described their ideal State as "anarchy plus the policeman." He is no less sierce in his denunciation of latine-foire as a social philosophy. But he left us no plan of social reconstruction, being himself content to wait upon individual reform—a trait which brings him into intimate connexion with the Christian Socialists.

Ruskin, on the other hand, has given us a programme of so regeneration which might be summarized as follows:

I. Manual labour should be compulsory for everybody. I readers were reminded of those words of St Paul, "If any would D work, neither should he eat." He thought it both absurd and immor that a man should live in idleness merely by using money inherites from his ancestors to pay for the services of his fellow-men. Life is the only real form of payment; in other words, labour ought to be given in return for labour. To lier upon the fruits of dead labour is surely absurd and contradictory. And it must be real human labour Machinery of all kinds must be renounced except that which may be driven by wind or water—natural forces which, unlike coal, do not defile, but rather purify

Ruskin wanted labour to be artistic, and he longed to see the again become an artist as he was in the Middle Ages (which is a what hasty generalization, perhaps). In practice this is not very Some of his immediate disciples have set up as artistic bookbir but the number of people who can find employment at such to must be exceedingly few.

Tolstoy, on the other hand, does not strive for artistic effect. heart is set upon rural work, which he magnificently describes "bread work," and which seemed to him sufficiently noble withe embellishment of any kind.

I Especially in that celebrated passage: "It [Political Economy] sounds with p. Topocaupy to teat celebrated passage: "It [Political Economy] sounds were the production from the deep dark sea of troubles, and having the oracidal seasons and the deep dark sea of troubles, and have present the oracidal seasons and the deep dark sea of troubles, and have present the seasons and the deep dark sea of troubles, and have present the seasons and the seasons are seasons as the seasons a samples in the state of constitution of constitution and the deep dark sea of troubles, are assumed inference and use of constitution and constitution of constitution and const sayers as rightny wast an inhance we of troubler it is sums up with the practice of the consolition that nothing whatever can be done in it by man who has simply each with a safe of the consolition. whithout so much a recommendation that nothing whatever can be done in it by sum-without so much a recommendation of the control laws, and directly whithout so much as recommendation of the control laws, and directly of the control laws, and directly of the control laws, and directly which to much as recommending suicide coldy takes in leave of use. (Lance the late of the coldy takes in leave of us.) "If they are gain, which is to be done? allow me to reply By thee, for the state of the state of

present, almost ceiting. Those shall descend allow me to reply: by use, so, and service of the same services of the same services. Those shall descend into thy laner man, and ser if the same services of the same services of the same services. be any traces of a said there; till then there can be nothing done. where it is not one triang, but, in clearer or diameter sequence, a whole evicine mon"See particularly from the first of these," (Fast and Frenct, Rick I, Chapter N)

- 2. Work for every one is the natural complement and the necessary corrective of the preceding rule of no idleness and no unemployment. In society as at present organized everybody is not obliged to work, while some individuals are obliged to be idle.<sup>1</sup> This monstrous inequality must be remedied. There would be no ofificulty about finding plenty of work for every one if every one id something Under such a system there would be no unemployment, although there would be more leisure for some.
- 3. Labour would no longer be paid for according to the exigencies of demand and supply, which tend to reduce manual work to the level of a mere commodity. It would be remunerated according to the eternal principles of justice, which would not of necessity imply an appeal to any written law, but solely to custom, which even now fixes the salaries of doctors, lawyers, and professors. In these professions there are no doubt some individual inequalities, but there is also the norm, and it is a breach of professional enquette to take less than this. The norm does occasionally find expression in the rules of the association, and in some such way Ruskin would fix not merely a minimum but also a maximum wage. Whatever profession a person follows, whether he be workman, soldier, or merchant, he should always work not merely for profit but for the social good. He must, of course, be suitably rewarded if his position as a worker is to be maintained and the work itself efficiently performed, but it can never be done if gain becomes the end and labour merely the means.
  - The natural sources of wealth—land, mines, and waterfalls and the means of communication should be nationalized.
  - 5. A social hierarchy graded according to the character of the services rendered should be established. The gradation must be accepted in no intolerant spirit, and must be respected by everybody. Chivalry is a necessary in an industrial as in a military society, and a new crusade against Mammonism<sup>4</sup> should be preached both far and wide.
  - Above all else must come education—not mere instruction.
     What needs developing above everything is a sense of greatness, a love of beauty, respect for authority, and a passion for self-sacrifice. What

<sup>1 &</sup>quot;Why, the four-footed worker has already got all that this two-banded one is clamouring for, and you say it is impossible." (Carlyle, Past and Present, chapter inj, and see also Chartam, chapter iv)

and see also Chemism, chapter by for the first and in founding the Guild of St George. See an article by Professor Marshall, The Social Passbulites of Economic Chicalry, in the Economic Journal, March 1907. There is no reference to Ruskin in it, however.

especially need acquiring are the faculties of admiration, of here, and of love.

Only the last item on the programme seems anywhere near realization, but that by itself would justify our reference to Ruskin's scheme. Not only has the suggestion resulted in the creation of working men) colleges at Oxford and of Ruskin Colleges chewhere, but it has ab given rise to the garden city movement. These new cities are bulk with the express purpose of relieving the worst features of industria life, and are so planned as not to interfere in any way either with the beauties of nature or with the health of the citizens.

Ruskin speaks of himself somewhere as an out-and-out community but his communium had also a touch of the aristocrat and the enthete about it which possibly proved a recommendation in English society Tolstoy is a much more thoroughquing cumnunist, and is violently opposed to that low bental mannet which men call the right of private property." His cry was "Ruck to the land," and the practice of carration, his ideal the mir. He was not arrived to know that every one was working as some trade or other, but he thought every one ought to produce his own food, which is the one meritable Liv of human existence Division of labour, which has been so estima-Kantly praised by economists, he thought of as a mere machination of the devil enabling men to exade the Divine commandment. At a rate it should only be adopted when the need for it arises, and all Consultation with all the parties interested, and not indoctiminately as is at present the case, with competition, over-production, and cities as the result o

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## CHAPTER III THE SOLIDARISTS

## I: THE CAUSES OF THE DEVELOPMENT OF SOLIDARISM

THE word 'solidarity,' formerly a term of exclusively legal import,1 has during the twentieth century been employed to designate a doctrine which has aroused the greatest enthusiasm-at least in France. Every official speech pays homage to the ideal, every social conference ends with an expression of approval. Those who wish to narrow the scope of industrial warfare as well as those who wish to extend the bounds of commercial freedom base their demands upon 'a sense of social solidarity,' and it has become quite a common experience to find writers on ethics and education who have fallen under its spell. The result is that no history of French economic doctrines can pass at by.2 The fundamental idea underlying the doctrine of solidarity, namely, that the human race, taken collectively, forms one single body, of which individuals are the members, is not by any means new. St Paul and Marcus Aurelius among the writers of antiquity, not to mention Menenius Agrinna's well-known apologue, gave expression to this very idea in terms almost identical with those used by the Solidarist school.3

Nor was the importance of heredity wholly lost upon the ancients. The hereditary transmission of moral qualities was a doctrine taught with the express sanction of a revealed religion. This doctrine of

<sup>1</sup> Etymologically 'solutarity' is a corruption of soluton, which was employed by the Roman Jurists to agoidy the obligation incurred by debtors who were each held reponsible for the whole amount of a debt. One would naturally expect the French derivative to be selectly, which was the term used by the jurists under the old regime, corecially to Pothier. Solidarity was substituted for at the the efficient of the Coefficient o

derivative to be saladay, which was the term used by the jurists under the old regime, especially by Pothler. Soldanst was substituted for it by the exhorts of the Civil Code.

We should never come to an end if we began to quote passages in which the ments of soldansy are set forth. We must content ourselves with the following, chosen at random:

M. Millerand, at the time Minister of Commerce, in a speech delivered at the opening of the Exposition Universelle in 1900, said: "Science teaches men the true secret of material greatness and of social morality, and all its teaching, in a word, point to soldarity."

M. Deherme, the founder of the People's University measurement, says. "The folly of solidarily should be the source of our inspiration, just as the marryin of old were inspired by the folly of the Cross. The thing that wants doing is to organize democracy." ([4 Goopenson die 15tin, June 16, 1900.)

\*Tor at we have many members in one body, and all members have not the same effice; so we, bring many, are one body in Christ, and every one members one of another." (Romans xi. a and §)

"As in physical organous the unity is made up of separate limbs, so smong resoming though the reason is distributed among individuals constituted for unity of cooperation." (Marus Aurelus, vis. 191 Rendally translation)

original sin is perhaps the most terrible example of solidaries it of the line of Horace;

Delicta majorum immeritus lues! We must also remember that it was always something more than 1 mere theory or dogma. It was a practical rule of conduct, and was enjoined by law, exhorted by religion, and enforced by with the result that what was preached was also practised t thoroughness that is quite unknown at the present day. We ha illustration of this in the collective responsibility of all the mee of a family of tribe whenever one of their number was found a of some criminal offence. A survival of this printine custom is Corsican vendetta of to-day.

Finally, there is that other aspect of solidarity which is based up division of labour and the consequent necessity of relying upon the co-operation of others for the satisfaction of our wants. The Great writers had caught a glimpse of this interdependence many consults before the brilliant exposition of Adam Smith was given to be well

All the manifold aspects of the doctrine, whether biological, soin logical, moral, religious, legal or economic, warener nonesum or common beautiful. common knowledge to the writers of antiquity. But each place of the writers of antiquity. subject seemed isolated from the rest, and it was not until the middle of the nineteenth century that it dawned upon thinkers that there was no markly that it dawned upon thinkers that the markly that the markly that it dawned upon thinkers that the markly that the markly that it dawned upon the markly that the markly that the markly that the Possibly something like unity underlying this apparent diversity. I has already been impressed upon as that Pierre Leroux and a fee of the disciples of Fourier, as well as Ratiat, had realized something the value of the doctrine of solidarity and of the appropriations the term. But it was reserved for Auguste Comte to appropriations. possibilities.

The new philosophy, viewed as a whole, emphasizes the inimery that exits between the individual and the group in their different relations of the control of t relations, so that the conception of social solidarity extending the time and embracing the whole of humanity has become a fairly familiar idea.

It is necessary, however, to inquire somewhat more closely into the success of the new doctrine in holding the attention both of the public and of economists. It is possible that the seed would have borne line fruit but for the presence of extraneous circumstances which helyed to impress the public with a sense of the importance of these new theorid Discover to L'Espris proof. In the Cours of Paleophia be finally part if the well-

"Ances on a capsus paint." It is a only capsual ken, and thereogly makes in:

"It is a only capsual ken, and thereogly makes in:

"It is a only capsual ken, and thereogly makes in:
"

Nothing has left a deeper impression upon the public or afforded a better illustration of the infinite possibilities of the new doctrine than the study of bacteriology. The prevalence of certain contagious maladies or epidemics had been too terribly prominent in the history of the human race to require any confirmation; but it was something to learn that the most serious diseases and maladies of all kinds were communicated from man to man by means of invisible bacilli It was now realized that men who were supposed to be dying a natural death were in reality being slowly murdered. It was with something like horror that men learned that the consumptive, the hero of a hundred sentimental tales, every day expectorated sufficient germs to depopulate a whole town. Such 'pathological' solidarity is being more closely interwoven every day by the ever-increasing multiplicity and rapidity of the means of communication. The slow caravan journey across the desert was much more likely to destroy the vitality of the baculli picked up at Mecca than the much more rapid railway journey of the future, which will speed the pilgrim across the sandy wastes in a few hours. The traveller of former days, who went either afoot or on horseback, ran less risk of infection than his descendant of to-day, who perhaps only spends a few hours in the metropolis.

Sociology has also brought its contingent of facts and theories.1 The sociologist stakes his reputation upon being able to prove that the fable of the body and its members is no fable at all, but a literal transcription of actual facts, and that the union existing between various members of the social body is as intimate as that which exists between the different parts of the same organism Such is the fullness and minuteness with which the analogy has been pushed even into obscure points of anatomical detail that it is difficult not to smile at the naïveté of its authors. It is pointed out that so close is the resemblance between the respective functions in the two cases that the term 'circulation' does duty in both spheres, and a comparison is instituted between nutrition and production, reproduction and colonization, and accumulation of fat and capitalism. In Florence during the Middle Ages the bourgeois were spoken of as the fat people, the workers as the small people. The organs also are very similar. Arteries and veins have their counterpart in the railway system, with its network of 'up' and 'down' lines. The nervous system of the one becomes the telegraphic system of the other, with its rapid communication of news and

Social boology dates from the publication of Professor Schäffle's great work Ben and Libra des secules Kibpers (1875-78); possibly from the publication of Rodbertus's work-ast any race, Rodbertus accuse Schäffle of plagarame. See also Spencre's Promples of Sonders Arisotic had already ventured to say that "an animal is just like a well-ordered divy," a proposition that might well be inverted.

sensations. The brain becomes the seat of government, the heart is the bank; and between the two, both in nature and in society, there is a most intimate connexion. Even the white corpusedes have a prototype in the police force, whose duty is to rush to the seat of disorder and to attempt to crush it immediately.

The sociological analogy, Ingenious rather than scientific, have a very long vogue. But it has at least supplied a few con which are thoroughly well established, and which serve as the of the solidarist doctrine. Among these we may mention the folk

(a) That solidarity in the sense of the mutual dependence of a bers of the same body is a characteristic of all life. Inorganie b are incomplete simply because they are mere aggregate. Deat nothing but the dissolution of the mysterious links which bind toger the various parts of the living organism, with the result that it relap into the state of a corpse, in which the various elements become i different to the presence of one another and are dissipated through space, to enter into new combinations at the further call of nature.

(6) That solidarity becomes more perfect and intimate with eve rise in the biological scale. Completely homogeneous organism scared differ from simple aggregates. They may be cut into sections or have a member removed without suffering much damage. The section cut off will become the centre of independent existence, and the amputated limb will grow again. In the case of some organisms of this kind repreduction takes the form of voluntary or spontaneous segmentation. Bet In the case of the higher animals the removal of a single organ some times involves the death of the whole organism, and almost always imperils the existence of some others.

(c) That a growing differentiation of the parts makes for the greater solidarity of the whole. Where every organ is exactly alike each is generally complete in itself. But where they are different each is just the complement of the other, and none can move or exist independently of the rest.

One has only to think of the treatment meted out to the innovator by primitive triber to realize the tremendous solidarity of savage society. The 'boycotting' familiar in civilated countries provides a

Political economy, in addition to an unrivalled exposition of division of labour (which, as we have seen, was not unknown in classical times).

In spice of Worms's book, Organise et Swells, and Ellenfeld's Publisher middle The first or Norma's book, Organisms of Savidi, and Liberich's Pathogo man-larters Spencer, who was the placers of the analogy, had abandord it; and control of the savidity of the savidity, and the savidity had a bandord it; and Agence Come, the postigher of secondary, bed absoluted to person against the method which be considered irrational.

has adduced several other incidental proofs of solidarity, such as bank failures in London or Paris and short time in the diamond or autombile industry as the result of a crists in New York or an indifferent rice harvest in India. To take a simpler case, consider how easy it would be for the secretary of an electrical engineers' union to plunge whole cities into darkness. The general strike, the latest bugbear of the bourgeoiste, owes its very existence to the growing sense of solidarity among working men. A sufficient number of workmen have only to make up their minds to remain idle and society has either to give way to their demands or perith.

give way to their demands or persist.

Add to this the remarkable development which has taken place in the spreading of news and the perfecting of telegraphic communication, by which daily and even hourly men of all nations are swayed with feelings of sorrow or joy at the mere recital of some startling incident which formerly would have influenced but a very small number of people.\(^1\) Such agencies are not unworthy of comparison with those subtle human sympathies which are known by the name of spiritualism or telepathy. Thus from every side, from the limbo of occultism as well as from the full daylight of everyday life, the presence of numberless facts goes to show that each for all and all for each is not a mere maxim or counsel of perfection, but a stern, practical fact. The good or bad fortune of others involves our own well-being or misfortune. The ego, as some one has said, is a social product. These are some of the founts from which the stream of solidarism takes its rise.

But that is not all. The doctrine of solidarity had the good fortune to appear just when people were becoming suspicious of individualist Liberalism, though unwilling to commit themselves either to collectivism or to State Socialism

In France especially a new political party in process of formation was on the look-out for a cry. The new creed which it desired must needs be of the nature of a ris media between economic Liberalism on the one hand and socialism on the other. It must repudiate laistrative right requally with the socialization of individual property; it must hold fast to the doctrine of the rights of man and the claims of the individual while recognising the wisdom of imposing restrictions upon the exercise of those rights in the interests of the whole community. This was the party which called itself Radical then, but later preferred to be known as the Radical-Socialism as

<sup>1 &</sup>quot;The enormous development of steam communication and the spread of the telegraph over the whole globe have caused modern industry to develop from a figurant statishin, any of whose members might be destroyed without affecting the rest, into a s/ys (see which is convulsed in agony by a slight injury in one part." (Kicholoon, Effect of Maksary and Wigart, p. 117).

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expounded about the same time was closely akin to it. But the German conception of the State as something entirely above party was an idea that was not so easily grasped in France as in Prusia. Hat in the two countries had not emphasized the same truths. Solidaria so to speak, is State Socialism in a French garb, but possessed of somewhat better grace in that it does not necessarily imply the core cive intervention of the State, but shows considerable respect for

The new word performed one final service by usurping the functions of the term 'charity,' which no one was anxious to retain because of its religious connexion. The other term, 'fraternity,' which had done duty since the Revolution of 1646, was somewhat antiquated by this time, and charged with a false kind of sentimentalism. The wed solidarity, on the contrary, has an imposing, scientific appearance without a trace of ideology Henceforth every sacrifice which is demanded in the interests of others, whether grants to friendly societ or workmen's associations, cheap dwellings, workmen's pensions, even parish allowances, is claimed, not in the interests of charity, by of solidarity. And whenever such demand is made the approve formula is always used—it is not a work of charity, but of solidarity, for charity degradeth whereas solidarity lifteth up.

## II- THE SOLIDARIST THESIS

The current is seldom very clear when the tributaries are numerous, and the stream must deposit its sediment before it becomes limpid. So here much greater precision was needed if the doctrine was ever to become general in its scope or even popular in its appeal.

I It was in 1809, if we missake not, that the term 'solidarity' was proposed as title of a new economic whool in a lecture enough of Loris mostly, This feeter enough of Loris mostly. This feeter enough of Loris mostly, This feeter enough of Loris mostly. sure to a city economic school in a fecture entitled L'Ende ancelle. This execute, this retrieval and a feet is should be a small solution coulded Quarte Ende Alexander (1996). Found (190, General () Each Model, in a small column contains Quart four s'anne.

1. Each mealing, by M. Storgler, and L'Each mealing, by M. Storgler, and M. Journs, a Lore security, by M. Streller; and I-Fede models, by M. Uster, the other of he various schools are numered up as follows: The one is the whole the security of the s instructions on the various schools are summed up as follows: The one as the non-original to other of authority, while the third is the about of equality. Get been consequent, which is a summary of the school of equality. Get been rements, we come or autumnth, while the third in the school of equality. User or more if about a school of equality, there was I understand by the New School in a major in the school of the school o process. There a said to define what I understand by the New Nchoos in a move of Library to the New Nchoos in a move band carrier to the Soldarny School. Unlike liberty, equality, and features. many, another can it the Solutionity behind. Unlike liberty, equality, and traversions of the feet-another hand, and the series are at the feet-another hand, it is just after the feet-another hand, it is just after the feet-another feet and the feet-another feet-an someting to her a very high-someting word, now is 10 a mere ideal. It is presented discovered on the control of discovery of our time, and this fact of builday and experience, and the most impressible, a second of the fact of which they is becoming better enablated every

It would have been better, perhaps, to have spoken of a new monement solver an of a new wheat that of a new stood, sering the savery of shoot, some of a new more men recore another select, sering the savery of shoot, some of them actually egyest to

a souther select sering the savery of shoot, some of them actually egyest to

a souther select sering the savery of shoot, some of them actually egyest to

a sering s man or a new triest, seeing the sarety of schools, some of them actually operation the Anarchas such as the school of Bological Naturalism and the Granus should be Anarchas and as a second series of Bological Naturalism and the Granus should be a second series of the Sarety the Anarchas tenn as the Kined of Bohappal Naturalism and the Oznikas sums as of their creed and the State Socialist School, that have adopted solutions as a set of their creed. part of their creat

M. Léon Bourgoois, one of the leaders of the Radical-Socialist arty, to his eternal credit attempted some such clarification by emiolying the term 'solidarity,' hitherto so vaguely metaphysical, in a trietly legal fashion to designate a kind of quasi-contract. Quite a canation was caused by M. Bourgeois's work—a result due alike to he prominent position of the author and the opportune moment at which the book appeared. The greatest enthusians was shown for the new doctrine, especially in the universities and among the teachers in 100,000 elementary schools. An equally warm welcome was extended to it in democratic circles, where the desire for some kind of lay morality had by this time become very strong. I becomes necessary, accordingly, to give a more detailed analysis of the theory than was possible within the compass of the small volume in which it was first exponded.\(^1\)

In the first place it must be noted that the doctrine connotes something more than the mere application or extension of the idea of natural solidarity to the social or moral order. On the contrary, it is an attempt to remove some of the anomalies of natural solidarity. A firm belief in the injustice of natural solidarity, or at least a conviction that things are so adjusted that some individuals obtain advantages which they by no means desire while others are burdened with disadvantages which are none of their seeking, lies at the root of the doctrine. There is a demand for intervention in order that those who have benefited by the accidents of natural solidarity should divide the spoils with those who have been less fortunate in drawing prizes in the lottery of life. It is for Justice to restore the balance and correct the abnormalities which a fickle sister has created. Just as it has been seen that man may utilize the forces of nature, against which he formerly was wont to struggle, to further his own ends, so solidarity puts forth a claim for the co-operation of Justice to correct the anomalies begotten

French books and sarlien dealing with the subject are plentful enough. We can only mention I. Sulfards winds are Novalled founds, by M. d'Elchidal (1993); the annual report of U-kenderine des Sciences mondes et politiques for 1993, M Bougle's book I. Sulfarium (1997); and Fleunon's La Sulfarium (1997). There is hardly a manual for teachers published which does not contain a chapter devorted to this question.

M. Leon Bourprois' Le Sidden's appeared originally as a series of articles contributed to the Naudil Revuis to 1867. These were published in book from in the following year. The different aspects of the question have been dealt in book from in the following year. The different aspects of the question have been dealt excludes sociales under the presidency of M. Bourpross himself, and published in a volume entuded Euro Ferre Hillshight of a subdant' (1920). An association for the propagation of the new form of the presidency of the propagation of the new form of the propagation of the new form of the presidency of the propagation of the new form of the propagation of the propagation of the present of the presidency of the present of the present

or any aind or unprovement even remotely attainable. Natural solidarity! tells us that as a result of the division of labour, of the influence of heredity, and of a thousand other causes which have just been described, every man owes either to his forebears or his contemporaries the best part of what he has, and even of what he himself is. As Auguste Comte has put it, "We are born burdened with all manner of social obligations." Nor is it an uncommon thing to meet with the word 'debt' or 'obligation' in the articles of the French Constitution. In the Constitution of 1793, for example, the duty of public assistance is spoken of as a sacred debt. But the term was loosely employed in the sense of noblesse oblige or richesse oblige, every individual being left free to carry out the obligation as best he could in accordance with the dictates of his own conscience. It is necessary, however, to transform the duty into a real debt, to give it a legal status, and when not voluntarily performed a legal sanction as well. If we are anxious to know exactly how this is to be done we have only to turn to Articles 1371-81 of the Civil Code, where in the chapter dealing with quasi-contracts we shall come across a section headed "Of Non-conventional Contracts."

The title would seem to imply the validity of debts not explicitly contracted—that is to say, the existence of obligations which have not involved any volitional undertaking on the part of either party concerned. The first case, that of injury inflicted upon others, whether wilfully or not, is referred to as quasi-indemeanour, and other instances mentioned in the section are spoken of as quasi-contract. Illustrations, which are plentiful enough, include payments made when not really due, attention to the business of another without any definite mandate authorizing such interference, the obligation of the inheritor of property to pay off debts incurred by the previous owers, the recognition of the common interest which people living in the same neighbourhood possess, and which also exists between these who own property and those who lease it, between those who case it and those who inherit it.

Wherever anything of the nature of a quasi-contract exists we may be tolerably certain that it is the product of <u>de facto</u> or natural solidarity.

<sup>1 &</sup>quot;The fact that such a thing as natural solidarity exists should not be taken to imply that it must necessarily be just. Justice can never be realized under the laws of solidarity are first observed; but once these have been established, their effects must be modified to make them conform to the requirements of justice. The actual could be ideal about herer be confidering they are the direct contrains of our another. But it is absolutely necessary that the first should be established before we can reside the moral necessity for the other." (Gourgeoi, Philosophi de la Stiddend, pp. 15, 17)

Such solidarity may take its rise in the mere fact of propinquity or the mere feeling of neighbourliness; but more often than not it involves a measure of control over the lives of others, which is one of the outstanding features of a regime of division of labour. Then follow the familiar phenomena of fortunes amassed to the detriment of others through the acquisition of unearned increment and the operation of the laws of inheritance—the source of so many inequalities. Nor must we forget the prejudicial effect of quasi-misdemeanour upon the fortunes of others. The result is that the whole of society seems built, if not upon an original explicit contract, as Rousseau imagined, at least upon a quasi-contract; and seeing that this quasi-contract receives the tacit submission of the parties concerned, there is no reason why it should not be legally binding as well.

Now the existence of a debt implies that some one must pay it, and the next question is to determine who that some one ought to be.

Olyviously it can only be those who have benefited by the existence of natural solidarity—all those who have amassed a fortune, but whose fortune would be sult to make but for the co-operation of a thousand collaborators, both past and present. Such individuals have already drawn more than their share and have a balance to make up on the debit account. This debt should certainly be paid. It is all the better if it is done voluntarily, as an act of liberalny arising out of goodness of heart—qua bonu, as the Gospel narrative puts it, of the rich good name. But this is hardly probable. Most people will pay just when they are obliged to; but such people have no right to consider themselves free, and no claim to the free disposal of their goods until they have acquitted themselves honourably! Individual property will be respected and free when every social debt which it involves has been adequately discharged, and not before then.\* Until this is done it is uncless to speak of the existence of competition.

The next question is to dermine who is to receive payment. Payment ought to be made to those who, instead of benefiting by the existence of natural solidarity, have suffered loss through its operation—the disinherited, as they are rightly called <sup>2</sup> All those who have

<sup>1 &</sup>quot;There are some debt which are hardly nonced at all, but which ought to be paid all the name." (Bourgeon, Palinsphie de la Soldanie, p. 60.) "There is a real claim where we thought some of the sold obligation, and a debt where we thought there was only a sarrell and Gopel assy: "Unto whomsoere much a given, of Ism shall be much required." (Lake sat, 40) " so that ye come behind in opti." (I cristiana at 1, 3). " so that ye come behind in opti." (I cristiana at 1, 3).

<sup>2.</sup> No man is free as bong as he is in debt. He becomes free the moment he pays off that debt. The docume of solularity as just the corrective of the theories of private property and individual laberty." (Bongresio, sp. dt., p. 45.)

<sup>&</sup>lt;sup>3</sup> M. Bourgeon also points out that just as our ancestors were indebted to us, so

not received a fair share of the total wealth produced by the c operation of all naturally find themselves in the position of creditor It is not easy to name them, perhaps, but the State can reach then: helping hand in a thousand different ways. State action of this kind was formerly spoken of as public assistance; nowadays it is termed solidarity or mutual insurance.

The payment may take the form either of a voluntary contribution to help some solidarist effort or other, or of an obligatory contribution levied by the State. Some advocate progressive taxation, for if it be true that profits tend to grow progressively in proportion as an increase in the variety and strength of the means of production takes place, why not a progressive tax as well?\* Besides, the tax would be of a senisacred character, because it would mean the discharging of an impotant social debt. Nor is there anything very extravagant in the deman that the State should see that every one makes a contribution in pro portion to his ability, seeing that the natural function of the State is to be the guardian of contracts.

It is still more difficult to assess the rate of payment. The conditions under which payment would be made, 1333 M. Bourgeois, would be such as the associates themselves would have adopted had they been free to discuss the terms of their engagement. In other words, every thing must be regulated as if society were the result of an express convention, or rather of a retroactive contract mutually agreed up The difficulty is to determine the conditions which individual as ciates would demand as the price of their adhesion to the terms of t contract. We shall have to imagine what they would demand we they able to make fresh terms. But we are not much farther ahead after all, for the individual him

self knows nothing at all about it. Renouncing the attempt to solve the insoluble, one has to fix some kind of minimum claim which the disinherited may reasonably expect to see fulfilled. Such a minimum claim would be a guarantee against the ordinary risks of life. Society would become a kind of association for mutual insurance, with the good and bad fortune spread out equally over everybody.

are we indebted to those that shall come after us. But that is a different thing, and or we undered to those that shall come after us. But that is a different thing, and close since dead about the record on this point. It is strange to thick that embers a made of the strange to thick that embers in the strange to the control of the strange of the strange to the state of the strange of the One many stores were very sound on this point. It is strange to think that femous-loop since deed should transfer the debt which was owing so them to the credit of

Power the term of the Civil Code seem to point to some such theory. Article 1798.

Addition to the Civil Code seem to point to some such theory. Article 1798. in addition to the Cave College seem to point to some such theory. Association to some such theory. Association to some such theory. us accusions to the cases of quan-contract and quan-numeroscopes when the base mentions "Law" as a green's cause of obligation.

\*\*Wherever it is impossible to fix definitive the value of the personal effect put

But a quasi-contract is something very different from this. Contracts that quasi-contracts are based upon the giving and receiving of equivation that the distribution of the distribution of substitute for direct liability. A contract is essentially individualistic—mutualism is primarily socialistic.

This idea of a quasi-contract contributed not a little to the success of M. Bourgords's theory, but it makes no wilat contribution to the doctrine itself, and he might very easily have omstated it altogether.\(^1\) It is nothing better than an artifice, almost a logomachy, invented for the express purpose of affording some kind of justification for demanding a legal contribution by treating it as an implicit or retroactive contract. It is more of a concesson to individual laberty than anything else. A taxpayer grumbles at a tax which goes to provide pensions for he old, but it is pointed out to him that the contribution is owing from him in virtue not of an explicit agreement, perhaps, but at least of a quasi-agreement.

quasi-agreement. But what useful purpose can be served by such ironical subterfuge? If it can be shown that owing to inferior moral education the law must have the making of a conscience for those who have none, and must enforce a certain minimum of social duties which appear necessary for the preservation of life and the perpetuation of social amenities, what is that but a form of State Socialsims? If it is pointed out, on the other hand, that moral progress consists in transforming debts into duties? "ather than size teriac, one readily relaizes that it is best to multiply the number of free institutions of a solidarist complexion, such as mutual aid and co-operative societies, trade unions, etc.

forth by a hingle individual, as in the case of a quasi-contract—that is, whenever it is impossible to determine the value of the debt on the one ha 4 or the credit on the other—the test plan is a post their runk and advantages. This would mean that none would know who is really bearing the runk or who is reaping the advantages, the triak being tharest by everybody and the advantages being thrown open to every one.

(Bourgeois, op. cit, p 81.)

The end of the quantion apparently contradicts the statement we have induced, in which be peaked of pooling risks and advantages. With regard to the latter, it is enough, apparently, to secure equal opportunity. It is not zero obscoon why the principle should be origidly enforced on the one case and no reluciously in the other. If the principle of solidary to both me repursable for the degradation of the drunkard in the one case, if there any reason why it should not be allowed to hater us the offertune of the backy speculation in another? Is it because the logical application of this principle would directly lated to continuum?

One should add that the word "quasi-contract" is not so frequently used by M. Bourgeois as it is by his disciples. As in many another instance, the disciples have outdone the master. In his Philosophia de la Solidania the scarcely uses the term at all.

but seems to prefer to speak of mutualization.

Such seems to be the ideal of Guyau, the philosopher, in his charming volume, Equisse d'une Morale sans Obligation as Sanchon. required of him beyond the exact equivalent of his debt. But, as we have already noted, it would be a somewhat illusory guarantee, because it is almost impossible to determine the amount of the debt in the first place. Since the amount of this debt is in some way to be fixed by law it may be well to begin with it.

Should the legislator find himself driven to accept M. Bourgeou's valuation, the demands made upon the taxpayer will not be so exorbitant after all. The whole mass of obligations is summed up under three heads:

- 1. Free education for all classes of the community. Intellectual capital more than any other kind of capital is a collective good, and should never be other than common property, upon which every one may draw whenever he wishes. A necessary corollary would be a shorter working day.
- 2. A minimum of the means of existence for everybody. It is difficult to imagine a retroactive contract which refuses to grant men the right to live. Regarded in this light, the 'guarantism' of Sismondi and Fourier, the 'right to work' of Louis Blanc and Considerant, gain new stendience and throb with fresh vitality.
- 3. Insurance against the risks of life, which, being fortuitous, are escaped by none. We know the promptness with which the feeling of kinthip is aroused whenever one of these accidents happens on a scale somewhat larger than usual and assumes the proportions of a caustrophe. Why should it be otherwise when a single individual falls a victim to the fickleness of fate?

If M. Bourgeois has given his theory a distinctly politico-legal bias, M. Durkheim has taken good care to approach the question from the standpoint of moralist and sociologist.

M. Durkheim draws a distinction between two kinds of solidarities. The first of these, which he regards as a quite inferior type, depends upon external resemblances, and is of a purely mechanical character. like the cohesion of atoms in a physical body. The other, which consist of a union of distinilars, is the result of division of labour, and of such is the union between the various members of the human body. Durkheim regards this kind of unity as of immense significance, not so much because of its economic consequence as of its important moral results,

<sup>2&</sup>quot;The only thing that furtice demands is the payment of debt; beyond that we have no right to impose any obligation whatsover." (Bourgeois, sp. ns., pp. 6) and 36.)

"which might even supply the basis of a new moral order." Seeing that individuals really follow divergent paths, the struggle for existence cannot be quite so keen as it is generally supposed to be, and this differentiation between the individual and the mass enables the former to dissociate himself from the collective conscience. Durkhein's desire was to see the new ethic developed by the professional associations; thence the important role which trade unionism holds in his philosophy.

Without disputing the validity of the distinction thus made, we may be allowed to question the advisability of treating one kind of solidarity with such contempt and of showing such enthusiasm for the other. Our hope is that the future hes with the former kind. For what is the object of evolution if it is not to make what seems similar really alike? The world is not merely marching in the direction of greater differentiation; it is also moving towards a deeper unity. This seems a wellestablished fact, at least so far as the physical world is concerned. Mountains are brought low and the hollow places filled. Heat is dissipated throughout space, causing minute gradations of temperature, and the establishment of a kind of final equilibrium.\* The same law applies to human beings. Differences of caste, of rank, of manners and customs, of language and measurements, are everywhere being obliterated. And it seems by this time a tolerably well-established fact that the wars of the past were wars between strangers-strangers in race or religion, in culture or education-and consequently it was between people who were dissimilar that they appeared most violent. Therefore the march towards unity also represents a movement in the direction of peace.2 Such a conception of solidarity seems more akin to the ideal which

we have formed respecting it, and has by far the greatest moral value; for if I am to be responsible for the evil that has befallen another, or 1 "Thanks to this fact, rivals need not seek to eliminate one another, but may well be content to caust tide by side. Specialization is undertaken, our author thinks, not

be content to exatt side by side. Specialization is undertaken, our author thinks, not with the idea of producing more, as the economist seem to teach, but merely with a view to enabling us to exatt under the new conditions of life which await us." (Distant de Trient!)

4 There ye brook that flows, every lamp that burns, every word spoken, every gestive.

<sup>3</sup> "Fvery brook that flows, every lamp that burns, every word spoken, every gesture made, betokens a movement in the direction of the greater uniformity of the universe." (Lalande, La Dissolution)

"This is the good to which suddenly has been understood by the Lumanore philosopher Claries Scrietan, in the look. Colculation of a Drossey, and the same point of view has been adopted by M. Alfred Fouille. "Solidary," writer Fouille, "has all the practical value of an ideal force. The recognition of the produced like has all the practical value of an ideal force. The recognition of the produced between the produced between the produced by th

can only be just in proportion to the extent to which that other is also myself. I flore practical result will be a preference for such modes of association as will group men together according to some general characteristic—a co-operative association rather than a trade union; for while the interest of the latter a in opposition both to that of the producer and to that of the public, the method of association in the former case is the most general imaginable, for every one at some time or other must be recarded as a consumer.

## III: THE PRACTICAL APPLICATION OF SOLIDARIST DOCTRINES<sup>1</sup>

There is no such thing as a Solidarist school in the sense in which we speak of a Historical, a Liberal, or a Marxian school. Solidarist is a banner borne aloft by more than one school, and a philosophy that serves to justify aims that are occasionally divergent. As we halready had occasion to point out, the solidarists are more of a political party than, a doctrinal school, and their best work has been doen in association with the Radical-Socialist party. Behind them is the State Socialist or 'interventionist' school. It has been suggested that the social legislation of the twentieth century, such as the regulations governing the conditions of labour, factory and general bygien, insurance against accidents and old age, State aid for the aged and the disabled, the testablishment of societies for mutual credit, rural banks

Auguste Comte, in his usual authoritative manner, declared that solidarity rest upon the fact that men can represent one another, and comequently may be held responsible for one another.

See a collection of addresses by various authors published under the title of Lo

Applications sociales de la Solidanté (1901). These laws of public assistance are among the most remarkable practical manifests tions of the solidarist movement. They marked a new departure in French public life, and until their appearance relief, whether given by the State, the department, or the commune, was purely optional (except in a few isolated cases, such as in that of waifs and atrays). To mention only the principal ones in France, the law of July 15. 1893, made relief in the form of medical attendance of all destitute invalids obligatory upon the communes. The law of July 14, 1905, extended a similar benefit to all invalids and to all persons over seventy years of age in the form of persons varying in amount from 60 to 240 franca per annum (360 in Paris). Finally, the law of April 5 1910, secures a pension to all workmen at the age of sixty, the charge being divided between the State, the employers, and the workmen themselves. It is a kind of payment made by the members of the present generation to the survivors of a past one. This relief is clearly of the nature of a social debt, and justifies us in treating it as the outcome of a quasi-contract, for on the one hand it constitutes an obligation fixed by law on the part of the commune, the department, or the State, as the case may be an obligation which they cannot escape—and on the other hand a right on the part of the beneficiary, as in the case of a creditor in an action for the recovery of debt.



heterogeneous elements as enter into the composition of the solidarist party.

The syndicalists, who come first, will hear of nothing except trad unionism, which is to become the basis of a new economic organization and a new kind of ethics. The sense of solidarity is in this cas very strong, because the ymitted poses as the sworn fee of the bour geotise. Nothing develops this sense like a struggle, and the struggle becomes a means of discipline. The attempts made by the traditulent to enforce this solidarity, not only upon their own members but also upon workmen who are unwilling to entrol themselves as members of the union, the antagonism shown for the jamus, and the advent of the solidarist or sympathetic strike, constitute one of the most interesting aspects of the syndicalist movement.

Next came the mutualists, who are loudest and most persistent in their appeal to solidarity.<sup>3</sup> It is not difficult to understand this when realize the battle which they wage against the ills of life—invalidity, old age, poverty, and death. It is just here that men most feel the need of sticking together. But if we are to judge by the sarificer which they make, the sense of solidarity among the mutualists themselves is not very great. They are loud in their demands that the State or the commune, or even voluntary subscribers, should complete what they have begun, and that the State should delegate to them the tast of establishing workmen's pensions and of dispensing State aid. Containing as they do some members of the middle classes as well as employees, they show no pronounced revolutionary leaning, nor have they even a plan of social reorganization.

Co-operation, on account of its scope and the variety of its aims, some claim to be regarded as in a measure a realization of the ideals of solidarism. But co-operation presents a twofold appear with different programmes and aims that are not always easily recordable. The oldest movements in which the fraternal tradition of 1848 may

<sup>2 &</sup>quot;The Apotheosis of Solidarity," printed in large type, appeared at one time as a headline in one of the French morning papers. The reference was to a banquet of 20,000 mutualists.

Mutualista are so taken up with the idea of solidarity that they indignantly point if any off their number happens to make used the term 'beneficence' chantivit' any off their number happens to make used the term 'beneficence' chantivit' and their hand, their journal, I. Massir de la Mahadid, for February 199 claims that societies for mutual help have a right to organize sombolas and isorries and they base their case upon the law of May 21, 18g6, which reserve the ethic licitary to "efforts of an entirely charitable character." In order to organize or the ethics of the state of May 21, 18g6, which reserve the ethics, I Arband de la Mahadid does not be insure to fifting that when the control of the mutual bely Arband de la Mahadid does not be insure to fifting the base of the state of the

still be viewed in all its pristine vigour are the producers' associations, of which we have already spoken. Their ideal is to emancipate the worker by setting up a kind of industrial republe, and they make a practical beginning with 'guarantism,' which Susmondi expected the masters to give and which Fourier thought would naturally follow the exablishment of the Phalanstère.\(^1\) But however rosy the prospects may be they can never affect more than a very small proportion of the working classes.

working classes. Distributive societies have met with a greater measure of success Their membership is reckoned by the million, and in some towns in England, Germany, and Switzerland the members actually comprise the majority of the population. Such is the colossal magnitude of the 'wholesale' that it might even alter the whole character of commercial organization—that is, if we are to judge not merely by the record of its transactions, but also by the feeling of awe which it impires in the minds of merchants in all countries, who are already claiming the protection of their respective Governments. Although the number of such societies increased in France, they never had quite the same practical influence there, simply because they have been lacking in the true spirit of solidarity. Cortously enough, these French cooperators have formulated a most ambitious programme of social reform which is wholly inspired by the experience of the Rochdale Pioneers.

1 "Solidanty is just an empty word if it is not supported by special organisms which can render it effective. This is why workmen's associations have deemed it necessary to establish what they call "guarantism"...

"The most unmunicable manufestation of solidarity consists in the employment of a part of the wealth produced by labour is order to repair the powerty caused by the deficient organization of labour, which leaves the worker and ha family lable to the acutes inferiors whenever these, old ago, or maintrum crosses there paths." (Programme on the rover of a journal known as L'Assonties sorner, the organ of the producers' associational.

This cooperatist programme is generally known in France as that of the Ecole Kinner. Really it as alredopment of the suggestions thereon out by the Readule Paoners in 1844. Remard, who gives it a place in this Spitious zanuluse, counter that it is a lattle inclosine. It seems to us, on the other hand, to be about any precue as any of the other socialist systems that attempt to erwange the fature, and it has a superance as the superance of the first programme in a letter by God on these constitutions. For a bord frequire of the Person Revolution, published in the volume entitled Ge-Gyraine (DM Transformation pet la Cooperation et aprical art of 1840 at 1870 at 18

The task of recognizing society belongs, not to the producing, hastening, someone, for while the former are unprised by the recognization grain, the lattice are unbased with enthusiasm for the general well-leven. Communes have only to united all their was are natified just in the very they desire, for they can other key directly from the producers all that they need, or they can, when they have become sufficiently refus and posential, produce for themselves in their own factores and on their own high. This would mean the abeliant of all profits, those of muldierner also the many sufficiently refused to the support of the many the profits of the most many that the processes would retain only at much as would be and manufactorers also. The societies would retain only at much as would be



nothing more than a mere metaphor, becomes a reality under the inspiration of this new doctrine of solidarity. Once it is realized that property is simply the result of the unconscious co-operation of a large number of causes, most of which are impersonal, the tendency will be to eliminate it altogether or to adapt it more and more to collective ends. Alfred Fouillée, a French philosopher, aptly put this aspect of the question when he spoke of social co-proprietorship being grafted on to individual property.

The modifications introduced into the study of jurisprudence by emphasizing its solidarist aspect are occasionally spoken of as "juridical socialism," a term that is not very clear, to say the least. The jurists who have undertaken the task of applying this new principle to the study of jurisprudence have not merely adopted the quasi-contract theory as the basis of their work of reconstruction, but have also refused to recognize any absolute rights of property; in other words, they claim that the proprietor has other responsibilities besides the mere exercise of those rights (qui suo pure utitur nemanem ladere videtur).

Instead of emphasizing the new principle known as the "abuse of rights," they prefer to claim the complete subjection of all private rights to the public weal. They point to a thousand instances in which a proprietor ought to be held responsible, though through no fault of his own, for the results following from the discharge of his economic duties.1 The existence of such a thing as an acquired right is also denied, chiefly on the ground that fictitious rights of this kind bar the way to progress by setting up a claim for indemnity.3

### 1 La Probriété sociale et la Démocratie.

The result is that masters are nowadays held responsible whenever a workman meets with an accident, or falls ill even. They are also hable to damages whenever they pay off their men. Owners of urban property are no longer allowed to build according to their fancy, and any property set up in contravention of the sanitary regulations is immediately demolished. Further progress along these boes would lead to juridical socialism. See Les Transformations du droit civil, by Charmont, and Le droit social at le drost sudunduel, by Dusquit,

Anton Menger, of Vienna, is the protagonist of this view. See his book Dar bürgerliche Richt und die bentzlasm Volksklassen (1890). Another of his works, Das auf den tellen Arbeitsertrag, has been translated into English and contains a valuable preface by Professor Foxwell. Menger maintains that at the basis of the economic order are three fundamental rights which may be compared with the political demands put forward in the Declaration of the Rights of Man. These rights are: (1) the right to 31 the whole produce of labour, (2) the right to work, (3) the right to exist all of which claims were put forward by Considérant, Louis Blanc, and Proudhon, the French socialists of 1848. See also Laualle's book Das System der erworbenen Rechte Mention should also be made of Emmanuel Lévy, who has published several articles of this kind, especially the pamphlet entitled Capital et Travail.

### IV: CRITICISM

Notwithstanding the popularity of the term 'solidarity' and the numerous attempts made to give effect to the doctrine of which we have just given a summary account, it would be a mistake to inacine that the theory met with sympathy everywhere. On the contrary, it was subjected to the liveliest criticism, especially by the Liberal recommitst.

It is not that the Liberals deny the existence of solidarity or dispprove of the results which follow from its operation. The discovery of the law of solidarity under the familiar aspect of division of labour and exchange constitutes a part of their own title to fame, and extragant were the eulogiums which they bestowed upon its working.

They still, however, hold firmly to the belief that economic solidarity is quite sufficient, and that it is also the best imaginable, despite the fact that it may be our, duty to organise is farfest. It it possible to improve upon a system of division of functions which gives every ore, every day of his life, the equivalent of the service which he has rendered to society? Bastiat in his fable The Bland and the Paralytic compare this distribution of social effort to an understanding between two such persons, whereby the blind does the walking and the maimed indicates the direction.

Members of this school were strongly of the opinion that it was quite enough to let this principle of each for all work is self out under the pressure of competition. And as a matter of fact is it not to the interest of the producer to consult the wants and tastes and even the fancier of the public? Aftrusm pursued in this spirit, as it well might be, minifests itself as an incessant desire to satisfy the wants of others, and even to live for others. It loses none of its force by becoming, instead of a mere ideal, a professional necessity which no producer can afferd to neglect without running the risk of failure. And it is not only between producers and consumers, but also between capital and labour, that such solidarity exists. Neither can produce without the other, and the interest of both is to have as large a produce a positio. A similar kind of solidarity exists among nations. The richer our pridutes sours are the better chance of our finding an outset for our products.

I "The producer is concerned about the well-being of his clients at every money. He is viripathing are under through no teached the whole of himssays. The merchant and the trinspart agent are always on the following the what not given most as his timpoon to those for whom, they are working, as well as for more clienter-tiles in the process to those for whom they can be of wrince." These work his, but he will deal of the whole the process to the basis of the whole the process to the latter, are taken from a small yet cursuas vidouse published by I as Goorg, and entitle Is Model the Comments.

Moreover, none of these solidaritis but is essentially just, since every one receives the exact equivalent of what he gives. What can the new doctrine of solidarity add to this, unless it be, perhaps, an element of pure parasitism?1

For what is the exence of the new doctrine if it is not that those members of society who are possessed of a certain superiority of nosition, either material or intellectual (which is very often the result of the greater contribution which they have made to the material or intellectual capital of society), by a bold inversion of their material positions should find themselves treated as the debtors of such as have not succeeded? The natural result is that there are springing up everywhere in society whole classes who are living upon the claims of solidarity, just as their predecessors lived upon the claims of Christian charity. More daring than their forebears, they have none of the humility of the ordinary beggar, but boldly demand their due; not for the love of God, as was wont with the true mendicant, but in the name of some quasi-contract, with a policeman within hailing distance lest the debtor should not acquit himself in a sufficiently graceful fashion. Hence the swarm of pensioners and semi-invalids, of unemployed who patronize the relief works, and of victims of accidents more or less real, of parents who have their children reared for nothing, of manufacturers and proprietors who make a profit directly or indirectly out of the existence of public rights, and of public servants who in the name of professional solidarity trample national solidarity underfoot and sacrifice the interests of both taxpayer and consumer.

The economists have never held the doctrine that commutative justice by itself-mere do ut des-is enough. Adjacent to the realm of justice lies the domain of charity. But to annex this zone to the dominion of justice and to claim solidarity as a justification seems utter futility.

· There is no avoiding this dilemma. Either they get the equivalent of what they give, which is the case under a system of free exchange. or they do not-in which case they must be getting either more or less. In other words, they are either parasites or destitutes-a case of exploitation or of charity.

It is further pointed out that the whole trend of evolution appears to

1 "Solidarity serves as a pretext for those people who want to enjoy the fruits of the labour of others without taking a part in such labours themselves, and for politicians who want to win adherents to their cause; it is just a new name for an unbealthy kind of egoism." (Vilfredo Pareto, Le Péni socialiste, in the Journal des Économistes, May 15, 1900.)

"The toldarist theories would simply greatly increase the number and incapacity of the unemployable." (Demolins, La Suptrionti des Anglo-Sanost.)

give no countenance to this doctrine of solidarity, and that coasequently it is of the nature of a retrograde movement. Even in the biological realm we come across what looks like a persistent effort to attain independence or autonomy, a struggle on the part of the individual to free himself from the trammels of his descent,1 Such must be the explanation of man's heroic efforts to leave the earth - and rise towards the skies, and the consequent exultation which the aviator feels when he finds that he has overcome the force of gravity and broken the last link which bound man to his mother earth. Turning to criminal law, we are met with similar considerations there. The collective responsibility of the whole family or tribe seemed quite just to the primitive mind, and the sons of the Atrida and the descendants of Adam suffered with hardly a murmur for the sins committed by their parents. But to us the doctrine is simply revolting. Whenever such penalties are demanded by nature we can only submit with the best grace that we can command. We are reluctantly bound to admit that the innocent does suffer for the faults of others -that the child perishes because the parent was a drunkard. But we, at any rate, regard such things as evil, and valiantly struggle against them. We are not much given to raising altars to Eumenides. When solidarity breeds contamination we seek to counteract it by a strict individualism that immunes. The innumerable fetters that had been riveted together by the old co-operative regime were ruthlessly torn off by the French Revolution. Why attempt to forge new chains by giving to each individual a hypothetical claim upon his fellows?

The moralists in their turn have also raised objections. They want to know what new principle of morality solidarity professes to teach When it has been shown that my neighbours' illness may easily compass my own death, what new feeling will the mere proving of this beget in me? Will it be love? Is it not much more likely to rectal itself as a desire to keep him as far from me as possible—to get rid of him allogether like a plague-stricken rait, or at least to see that he is locked up in some sanatorium or other? I may perhaps be found more

<sup>3 &</sup>quot;The distinctive feature of evolution seems to be the proving renderly among the proving the proving the proving feature and the proving feature and the proving feature and the proving feature are the contract of the proving feature and the

in its own body the essentials of a new environment marks a second step.

"The primitive era was an age of solidarity. Crime was no individual thing three
and that the innecent should suffer for the sake of the guilty seemed a part of the
order of things. It is only in an age of reflection that such dogmas appear absurd."

(Renna, Actual & Selince, P. part)

willing to contribute towards the upkeep of the sanatorium, but the dominant motive will be fear, or self-interest, if that word seems preferable.

Thus solidarity, while it does not seem to contain any new doctrine of love, tends to weaken and to suppress the sense of responsibility by treating society as a whole, or at least the social environment, as the source of our errors, our vices and crimes. Individual responsibility, however, it the very basis of morality.

Such are the criticisms preferred by individualist economists. It would be a mistake to imagine, however, that the socialists, the anarchists, or the syndicialist have treated the doctrine with any greater degree of indulgence. The proposal to reconcile masters and workmen, rich and poor, in a kind of silly, sentimental embrace is a menace to socialism and a denial of the principle of class war.

All such criticism, however, utterly fails to convince us. It may be well, perhaps, to get rid of the correive element in the discharge of social debt, but that does not do away with the valuable contribution made by solidarity both to social economics and to ethics.

Solidarity by itself does not farnish a principle of moral conduct, intent it is just a natural fact, and as such it is non-moral. Whenever we imagine that solidarity is something eval, that judgment in itself is a proof that we have had recourse to some criterion outside solidarity is content judge of its good or evil features. It is quite possible also that the idea may be exploited for the profit of the egosis. If solidarity is nothing but a mere cord binding us together it may quite possibly happen that it will be used to exalt some people and to pull others down, and the number brought low may even exceed the number raised up. We need not be surprised if occasionally we find that instand of increasing the power of good we have extended the opportunity for evil. But we must speed the coming of these new yowers in the hope that in the end good will triumph over evil. Solidarity by itself cannot furnish a rule of moral conduct to such as have more already but, granting the existence of a moral principle, it

And-kissing leagues, inspired not by any puritan motives, but arising solely out of fear of bacili, were formed in the United States. One must not be surprised if a league against hand-shaking is established enext; although this would be rather a curious result of a doctrine of solidarity that is always represented by the device of two hands clasped in one another?

two hands clasped in one another!

In Paul Bureau's book La Crite morale des Temps nouvement there is a lengthy, levely criticism of solidarism from the moral standpoint.

This is how we find it appraised in Le Management socialists: "The development of solidarism is one of the most disquieting features of the present time. It affords a proof as well as being a cause of a considerable slackening of energy." (Issue for July 1907; Paul Olivier in a review of Bougle's book on solidarism)

matters not whether it be egoism or altruisn with a leverage of incomparable strength.

In short, it teaches us three important lessons t. It shows us that all the good which has h added to our own well-being, and that all the them has done us harm, and that consequently w the one and discourage the other, so that a p

abstention is no longer possible for any of us. The mode of action prescribed may be frankly u is an element of triumph in getting the egoust to to remember others, even though it be but for a ti beats for others, though the reason perhaps be selfinobler heart. It is doubtful whether we can ever g without some admixture of self-interest. The Gospel e should love our neighbour as ourselves. Solidarity demand, neither more nor less, but undertakes to

2. It shows us how the results of our actions return a with their harvest of suffering or joy a thousand tin This gives it its character for solemnity and majesty wh it such an exceedingly favourable instrument for moral ed our care is entrusted the welfare of souls, and just as we a that we never really had a right to say that this or that ma concern of ours, so we also find ourselves relieved of that of heinous maxim, namely, that certain matters concern ourse Far from weakening the sense of responsibility, as some writ tain, it is obvious that it increases it indefinitely.

3. It is true that in a contrary fashion it renders us more in of the faults of others, by showing how often we have been unc accomplices in their crime. Morally this is a gain, for it helps t more indulgent towards others, but more severe upon ourselves

From the standpoint of sociological evolution we are confi with the dissolution of many of the older forms of solidarity and the emergence of new ones. What really takes place is an extensi the circle of solidarity through the family, the city, and the an until it reaches humanity—such expansion being accompanied b doubly fortunate result. On the one hand corporate egoint become to ennobled and extended that it includes the whole of humani with the result that the strife between antagonistic interests become less acute. The old argument from independence had already grow blunt in the struggle with division of labour 7 is not the sole measure of parameter

tree is independent, and so perhaps is Ibsen's hero in revolt against society. The king on his throne, on the other hand, who never speaks except in the plural number, is always conscious of his dependence. But the savage because of his independence is proverlets, whereas the king because of his dependence is very powerful. Solidarity, whether it he like the rope that binds the Alpine climber to his guide which may lead them both to the abyss, or like the patriosism that rivest the soldier's gaze upon his country's flag, cannot detract from individuality. If it he true, as was said just now, that the crystal is the earlier effort of the individual to render itself independent of its environment, we must never forget that it is also the earliest realization of true solidarity in the form of association.

At to the argument of the economists that mere exchange is the only form of solidarity that is at all compatible with the demands of justice, all the schools whose fortunes we have followed in the course of this volume have declared against this view, not excepting even the Mathematical school, the latest offigning of the Classical tradition. Easu's bargain with Jacob, the contracts between the Congo Company and the blacks, or between the enterpresse and the home-worker, are irreproachable from a Hedonistic standpoint (see p. 509). But no one would consider such primitive exchanges, which, as Proudhon cloquently remarks, savour of retalation—an eye for an eye and a tooth for a tooth—as vidence of the existence of solidarity

Even if we conceived of exchange as a balance the two sides of which are in equilibrium, it is impossible to escape the conclusion that the contracting parties fare rather differently when they do not start on a footing of complete equality. There is always a Brennus ready to throw his providing the scale.

It is only natural that we should ask conrelves what is to be done under such circumstances. Must we be content samply to resign ourwlves to our fate? This seems inevitable if it be true, as the economists seem to suggest, that human relations depend entirely upon exchange and its derivative—welling, lending, wage-carange, etc. But it is quite otherwise when these human relations are regarded as the outcome of association, whether professional, mutualist, or concentrative.

Association, even when the object in view is purely mercenary, has a moral value surrous to exchange.

<sup>(1)</sup> Teamurh as it always implies, in addition to money payment, a certain sacrifice of time and similar, perhaps even of independence. It involves something more than the obligation to attend specifing and to confirm to relate.

<sup>(</sup>at it implies semething more than a mere set of earliange which is completed in an instant and at one struke. It implies the indefinite collaboration of the parties returned.

in 1830 for \$20, at a time when the population was only fifty, and which in 1836 was sold for \$25,000, was valued at \$1,250,000 at the time of the International Exhibition in 1801. It has been calculated that

in 1826 was sold for \$25,000, was valued at \$1,250,000 at the time of the International Exhibition in 1821. It has been calculated that the increase in ground rents in London between 1870 and 1833 is represented by no less a sum than \$7,000,000. Hyde Park, borgh by the City of London in 1652 for £17,000, was valued in 1900 at about £8,000,000. M. d'Avenel states that in Paris a piece of land belonging to the Hotel Dieu which was valued at 6 fr. 40 c. a square metric in the Hotel Dieu which was valued at 6 fr. 40 c. a square metric in the Hotel Dieu which was valued at 6 fr. 40 c. a square metric in the Hotel Dieu which was valued at 6 fr. 40 c. a square metric in the Hotel Dieu which was valued at 6 fr. 40 c. a square metric in the Hotel Dieu which was valued at 6 fr. 40 c. a square metric in the Hotel Dieu which was valued at 6 fr. 40 c. a square metric in the Hotel Dieu which was valued at 6 fr. 40 c. a square metric in the Hotel Dieu which was valued at 6 fr. 40 c. a square metric in the Hotel Dieu which was valued at 6 fr. 40 c. a square metric in the Hotel Dieu which was valued at 6 fr. 40 c. a square metric in the Hotel Dieu which was valued at 6 fr. 40 c. a square metric in the Hotel Dieu which was valued at 6 fr. 40 c. a square metric in the Hotel Dieu which was valued at 6 fr. 40 c. a square metric in the Hotel Dieu which was valued at 6 fr. 40 c. a square metric in the Hotel Dieu which was valued at 6 fr. 40 c. a square metric in the Hotel Dieu which was valued at 6 fr. 40 c. a square metric in the Hotel Dieu which was valued at 6 fr. 40 c. a square metric in the Hotel Dieu which was valued at 6 fr. 40 c. a square metric in the Hotel Dieu which was valued at 6 fr. 40 c. a square metric in the Hotel Dieu which was valued at 6 fr. 40 c. a square metric in the Hotel Dieu which was valued at 6 fr. 40 c. a square metric in the Hotel Dieu which was valued at 6 fr. 40 c. a square metric in the Hotel Dieu which was valued at 6 fr. 40 c. a square metric in the Hotel Dieu which was valued at 6 fr. 40 c. a squar

2,0,000,000. S. I. develor states that it it rats a piece of tand deologing to the Hotel Dieu which was valued at 16 ft., 90 c. a square metric in 1775 was worth 1000 fr. in 1900, 1 and M. Leroy-Beaulieu menitora piece of Land in the neighbourhood of the Are de Triomphe which between 1881 and 1904—i.e., in twenty-three years—had doubled in value and was at that time selling at 800 fr. a metre as compared with 400 fr. formerly. We have merely quoted a few isolated examples, but they may be regarded as typical.

\*\*Carey and Bastiat have not made many converts, evidently.\*\*Che

majority of economists have either accepted Ricardo's theory or, having been induced to examine his position thoroughly, hive been led to develop it, but none of them has denied the reality of the income derived from landy flence the very curious twofold evolution which the theory presents.

1. To the one hand there has been discovered a whole series of differential revenues analogous to the rent of land, which, according to the expression of a great contemporary economist, "is not a thing by itself, but the leading species of a large genus "3-64 nhe other hand (and this second line of development is perhaps more curious than the first), while Ricardo confidered that the rent of land was an economic anomaly resulting from special circumstances, such as the unequal fertility of the Land or the law of diminishing returns, modern therein regard it simply as the normal result of the regular operation of the

comparatively useless. Despite its presinge throughout the ninements certainy it is now regarded by many writers as a more himseld curvainy.

This deathle evolution is the certific of unmilitaneous efforts on the part of a great number of economists. It is almost impossible to the

Laws of value. The rent of land and initially phenomena seem in fit is with the general theory of prices, and the theory of rent so laberiously or entructed by the Classical school falls into the background as being

4 Our Aguers are taken tries the met schemed pumplies of At Buseath, La Ahen Administra du sel dan de grande wide. Kriech et Briete, elbet, espeniest bien famer

<sup>&</sup>lt;sup>3</sup> F. Leever Reaction, L'Art to place at prior so furture, p. 34. Larmont, Prompter perfore to the first of teat.

a regular sequence of advances from one to the other, and we shall content ourselves with a mere mention of the names of those who have contributed most to it, their actual words being quoted whenever possible.<sup>1</sup>

the first place, we have a number of differential revenues which are exactly analogous to the rent of land. Equal quantities, or, as the English economists prefer to put it, equal doses of capital and labour applied to different lands yield different revenues: such was the classic statement of the law of rent. Ricardo attributed the existence of rent to the presence of particular phenomena appertaining only to land, such as diminishing returns, unequal fertility, greater or lesser distance from a market. (But it has long been realized that agriculture is by no means the only domain in which capital and labour yield unequal returns.)

All natural sources of wealth—nines, salt-works, and fighericagive rise to exactly similar phenomena. Their productivity is not
identical, their fertility (if the term is permissuble) presents the same
differences and their position relative to a market the same variety
as in the case of cultivated lands. Consequently every mine, very
salt-work and fishery that is not on the margin of cultivation yields
a differential revenue or rent because of its greater productivity or
more convenient situation. Ricardo had recognized this in the case
of mines, and Stuart Mill insisted upon its further extension;

Turther, land is not employed for tilth only; it is also frequently used for building furposes. The services which it renders in this connection are not less important than the others, and between different sites there are as many distinctions as there are between the various grades of cultivated lands. Their commercial productivity, if we may so unt it, is by no means unified.

The ground-rent of a house in a small village is but a little higher than the rent of a similar patch of ground in the open field; but that of a shop in Cheapside will exceed this of whole amount at which people estimate the superior facilities of money-making in the more crowded place. In this way the value of these sites is governed by the ordinary ordineids of rent.

There is a good account of the evolution of which we have given a brief resume in a work published as far back as 1500, middled Fernet near Entherie Degraerablish of Constellar, by Edward Berrin (Lopicit), how openally in La Thora & results and the Constellar of the Constellar of the Constellar of the internal gatteles of Here Schumperer, Dar Best-press, and the Verlangelike, which appeared in Schumperer, Dar Best-press, and the Performance of the White appeared in Schumperer, Dar Best-press, and the Performance of the Constellar of the Constel

Ricardo's Pramples, chapter in, "On the Rent of Mines." G. Stuart Mill, Principles, Book III, chapter v, para. 9

Stuart Mill for mt.

But why even confine attention to land a productivity and differences of returns are ego productivity and unterfaces of returns are equal to the machinery in one shop may i tion more efficient, division of labour more si another because of the relatively greater abun the result that the production in the one case w tion in the other, resulting in a supplementary g ton in the orige, resuming to a supportance, of first shop, normalizely, the production of one of and such prominently the production of the such such that the such such that the such effort may get through more work than abother, enore may get unvugn more work man amount that man will exceed those of the other, so that ev enjoy a supplementary gain of the nature of a diff. only do aphindes differ, but not among who among our primary among among among among among and ability plays an important role is different degrees of success experienced by different the unequal revenues which they yield. "The extra producer of dealer obtains through superior talence Special distincts arrangements are very much of a That is how Mills expressed it, content merely to repeat Lines to more anne expressed it, consent mercy to repeat Sensor had expressed in his Political Economy as early as

This fact was noted by Hormann even at far back at 1832 to his Saston religible of Chemochay Hermann even as for back at 1032 to not 1032 to destinational littles Colorachages (Munich, 1833), p. 1861. "A bleen market analogous to rest fectorer masket whenever a country on the market and the colorachy and the color exactly analogous to rent becomes massives whenever a country emmachinery the multiplication of which is districtly possibly because country discourages such exportation. Such was the case with Engl Country and the case with Engl Country and the case which is not only the case when the other only the case with the case of the remains. country documents such exportation. Such was the case with Legs at the other Hormanian service. Suppose now that the price of the common with the horizontal work who had a fourth analysis of such analysis of such analysis. at the time Hormann strote.]... Suppose now that the price of the countries with the skel of such machinery gives that the price of the country under a manufacture with machinery sizes that is make a manufacture with machinery that is made a manufacture to the lower than to a manufacture with machinery that is made a manufacture to the lower than the manufacture that is made a manufacture to the lower than the manufacture that is made a manufacture to the lower than the manufacture that is made a manuf Extinct with the had of such machinery good up. If the country (unger can not) manufacture with machinery that is more expensive but the effect of an Addressian Association with a such as Addressian Association with a such as Addressian Association with country to be Addressian and the Addressian can only manufacture soils machinery that is more expensive but less than the class of its defends charactery next the case of production will still be higher than the contract of the contra tertia such advantages as the rise in price had sentered them? TRIAN DAYS ASYMPTOTE IN THE TOTAL PRICE AND SETTING THE TABLES AS A SETTING TH Cales now Paterning years, Leipnin, 1855) expressed his view in a someone state of the case of the cas infinion. "Here shows their electricisms and on the lateral rathe in the case of a load, but it is equally readent whetever the difficulty of multilying capital or whose is an only be concluded by capital and a more constitutive and a constitutive and constitutive an land, buy it is equally evident wherever the difficulty of multiplying capture of where it can only be replaced by other capital of a most openior capture cap or where it can only be replaced by other capital of a more expensive constraints and the greatestive yield a Recards binnell possibly had the rear of expiral in minimum, and the constraints are also assumed to the constraints of the constraints and the constraints of the constraints. has productive yield. Ricards himself possibly had the rest of capital for most the said. The exchangeable value of all commodities, whether they be susted on the boundary of the colors of the color he said; "The exchanges his value of all communities, whether they be manu-form, resonance of the salines or the freeduce of land, is always regulated, and form measures of takings they will saline for the salines are salines and the salines of the salines are salines and the salines are salines and the salines are salines and the salines are salines are salines and the salines are sali or the produce of the subset of the produce of land, is always regulate, not construct the will suffer for their production subset, conservable, and we handled subset for these production subset subset, when we would be shown when he has a worker land. less fluority of labour that will suffer for their frederical under circumstable, and exclusively subject for their frederical under circumstable production of the frederical under circumstable production of the control for the control fo volution by these who have no each facilities by those who contrive to pro-ting under the most independent efficient accommodate who contrive to pro-sentation of the most conference like tonday which are no under the most undercombile distinuates commencing by the most undercommences the most undercombile under which the distance of the most undercommences to the most under the distance of the distance

where he applies the term 'rent' to "all peculiar advantages of extraordinary qualities of body and mind." I

The simple suggestion thrown out by Mill and Senior has long since been developed, into a full-blown theory by Francis Walker, the American economist. The conception of profits as the remuneration of the entripreneur's exceptional skull is examined in his Treatise on

of the entrepreneur's exceptional skill is examined in his Irealise on Political Economy, and is further treated in considerable detail in the Quarterly Journal of Economics for April 1887.

We have already commented upon the optimistic tendencies of certain American economists. Carry was a case in point; so is Walker. In a work entitled The Wage Question, published in 1876, (Walker wo made a successful attack upon that most pessimistic of theories the wages fund, and forced reconomists to recognize that to some extent, at any rate the wages depended upon the productivity of the understaining. But to show the possibility of wages growing with the increased productivity of industry was hardly enough to satisfy sensitive converience. Walker was particularly anxious to foil the socialists by showing that profit is not the outcome of exploitation, and it was with a view to such demonstration that the doctrine of rent was so greedily esseed upon

By the term 'profit' Walker understands the special remuneration? of the materians, of the interpretary of the materians, of the interpretary of the interpretary of the interpretary of the state of the special remains of the special remains

<sup>&</sup>lt;sup>1 "</sup>But as it is clearly a surplus, the labour having been previously paid for by severage wages, and that surplus the spontaneous gult of nature, we have thought it 'most convenient to term at rent." (Quoted by Cannan, Production and Dutribution p. 193.)

In an article entitled The Source of Buriness Profit.

Walker is one of the first of the English-speaking economists to make this dies.

uon and to employ the term 'profit' in a narrow etem, dutilepenhine it fame on the one hand and wage on the other. He even were to far at in narrow wage of supermendence and direction because this wo' deligated to other (19'ear Qurinies, and ed., 1894; 'pp' function performed by the namely, surface of the contraction of the contractio

altogether of a more dignified character, and consists largely in anticpating the fluctuations of the market and in organizing preduction to meet them—in a word, in adapting supply to demand. The extrprenar is the true leader of economic progress—a real "captain of industry."

All this implies, says Walker, differences in industrial revenues exactly analogous to the differences in agricultural income. Some industries yield no profit at all beyond remunerating capital and labour at the normal rate and leaving enough for the emerpence to prevent his abandoning the undertaking altogether. Other industries yield a little more, and by imperceptible gradations we pass from such mediore undertakings to more prosperous ones, and finally reach those that yield immense profits.) The question then arises as to whether such abnormal profits in any way represent wages that have been withheld from the workers. This is not at all fiskly, because wages are often highest where profit are greatest. Celtnis parisat, the probability is that the greater profit in the one industry as compared with another implies the greater capacity of the enterprener in the one case than in the other. The superior income is a pure surplus like the rent of land, "Under free and full competition," says Walter,

the successful employers of labour would carn a remuneration which would be exactly measured, in the case of each man, by the amount of wealth which he could produce, with a given application of labour and capital, over and above what would be produced by employers of the lowest industrial or employing the produced by employers of the lowest industrial or employing the state of the produced by the same application of abour and capital to the least produced by the same application of labour and capital to the least productive lands which contribute to the supply of the market. Lands which themselves bear no rent.<sup>2</sup>

Walker's theory contains a good deal of fruth, although it is not, perhaps, quite as new as he thought it was, [The opinions of Mill and Scnior have already heen referred to, and more than one Continental seconomist, from J. B. Say to Mangoldt, and including Hermann, have propounded similar views) Nor has the doctrine verr been completely triumphant in economic circles. Most contemporary writes, puckloubly, regard profit as a kind of rent, due partly, but only partly.

<sup>&</sup>lt;sup>1</sup>This is how Walker summarizes his duties: "To furnish also technical skill, commercial knowledge, and powers of administration; to assume responsibilities and provide against contingencies; to shape and direct production, and to organize and

control the industrial machinery." (The Wages Question, p. 245)
\*Walker, Quarterly Journal of Economics, April 1887, p. 278.
\*Hermann, Unterpurhungen, p. 206; for J. B. Say of, supra, p. 228.

to the personal ability of the entrepreneur. Other economists—such as Marshall, for example—think that they can trace some other elements as well, such as insurance against risk and payment for the necessary expenses of training the entrepreneur. Walras, on the other hand, omits these last two items and points out that under static conditions the entrepreneur would neither gain nor lose. The sole source of profit, then, are those 'dynamic' rents which are the result, so to speak, of the perpetual displacements of equilibrium in a progressive society. But these dynamic rents are extremely varied in character and bear no relation to the personal qualities of the entrepreneur.

no reation to the personal quanters of the manypetas.

'Clark' and others, although subscribing to Walran's dictum that profits are really composed of rents, think that there may be static swell as dynamic rents and that Walran's hypothesis of a uniform net cost for all undertakings is altogether too abstract. Only in the case of the marginal producer, whose expenses are highest, is there anything like equilibrium between costs and price. The other producers, even when there is no such thing as a temporary displacement of equilibrium, are able to make substantial incomes out of the various species of differential rents already mentioned—proximity to market, better machinery, greater capital, etc. Marshall speaks of such incomes as composite rent. Better machinery, greater capital, etc. Marshall speaks of such incomes as composite rent. Better machinery, greater capital, etc.

Walker's theory has evidently not been accepted without considerable reservations. And we need only remind ourselves of the way in which dividends are usually distributed among shareholders to realize the inadequacy of his conception of rent and the exaggerated nature

<sup>1</sup> Pantaleoni (Economa pura, Part III, chapter iv) seems to be the only economist who accepts Walker's theory without any reservation

who accepts valuer's theory without any reservation.

1 For his criticism of Waller see the Quarterly Jaurual of Economics, 1887, p. 479, and the Principles, 4th edition, p. 705, note. In conformity with English tradition, Marshall includes within profits any interest upon such capital as the miripineur possesses.

4 Cf. Distribution of It rolth (1899) and Essentials of Economic Theory (1908).

Fataltacion makes the same disnocilion "Profils," says he, "may be the result of superior ability required diether by assessions study or prolenged preparation. In that tess we are dealing, not with a kind of rent, but with a specific of profit which may be very removement but have his nevertheless annuable to a very different study be recommended to a very different profit of the dealers of an element of insurance against this as an item in profit, because, as the prosist out, if the premum has been carefully reclosed up and compared with the rule, "it if the premum has been carefully reclosed up and compared with the rule, "it is that the next even tooul become quality to zero" (May 1 cents a number of years, so that the next even tooul become quality to zero." (May 1 cents a number of years, so

<sup>\*</sup>Moreover, the compresser may find himself forced to yield a part of the composite real rither to the landlord or to the expitalst from whom he has borrowed his capital or to the workers by whose superior ability he has benefited. The difficult question of determining what proportion ought to be given in this way is discussed by Marshall in his Pringhla, Book V, chapter via, para 4; 800k V, chapter via, para 6.

of his attempted justification. Would anyone suggest, for example, that such dividends are merely the result of exceptional ability?1

This attempted explanation of profit affords, perhaps, the most interesting illustration of the extension of the concept rent, although it is by no means the only one. The Ricardian theory, worked out to its logical conclusion, reveals the interesting fact that there are as many kinds of rents as there are different situations in the economic world.\ Whenever it becomes necessary to unravel the mystery surrounding individual inequalities of income recourse is had to a generalized theory of rent. "All advantages, in fact, which one competitor has over another, whether natural or acquired, whether personal or the result of social arrangements . . . assimilate the possessor of the advantage to a receiver of rent." Something of the variety of concrete life is thus reintroduced into the Classical theory of distribution, although all this was at first rigidly excluded by the doctrine of equality of interest and uniformity of wages.4 The theory of rent is an indispensable complement of the Classical theory of distribution, giving the whole thing a much more realistic aspect. It is, as it were, the keystone of the whole structure.

But the theory has also undergone another species of transformation. Ricardo conceived of rent as essentially a differential revenue arising out of the differences in the fertility of soils.5 Were all lands equally fertile there would be no rent. The same remark applies to the various species of rent discovered since then. There is always some inherent difference which explains the emergence of rent, such as the greater suitability of a building site, the greater vigour of the worker, or the superior intelligence of the entrepreneur. They are all a a type. Entrepreneurs who produce the same article, workmen tolling at the same trade, capitals employed in the same kind of undertaking, may be grouped in an order of diminishing productivity, much #

I Walker might answer by saying that the dividend is simply the interest upon the capital. But we can hardly bring ourselves to believe this.

a This word 'acquired' is not quite in conformity with the pure theory of rest for if these advantages are acquired the remuneration thus received should be comsidered merely as interest upon capital spent,

Stuart Mill, Praciples, Book III, chapter v, para. 4.
Wages and profits represent the universal elements in production, while cent may be taken to represent the differential and peculiar; any difference in favour of certain producers, or in favour of production in certain circumstances, being the source of a gain, which, though not called rent unless paid periodically by one period to another, is governed by laws entirely the same with it." (Ibid., Book III, chapter v.

para. 4.) \* "Rent, it should be remembered, is the difference between the produce obtained by equal portions of labour and capital employed on land of the same or different qualities." (Ricardo, Principles, chapter ix)

Ricardo grouped the various species of lands. The last entreprenar of the series, the last worker, or the last item of capital cach carms just enough to keep them at that kind of employment). All the others produce more, and, seeing that they all sell their goods or services at the same price, they draw a rent which is greater than the income enjoyed by the others by the difference between their productivity and that of the last of the series. The whole economic world seems to be under the dominion of a kind of law of unequal fertility, not of lands merely, but of capital and individual capacity as well—a law which is sufficiently general in its application to explain all inequalities in the revenues of the different factors of production.

We cannot help feeling the artificiality of this conception and wondering whether the differences in revenues are not capable of explanation upon the basis of a simpler and more general principle. Is it impossible to take account of them directly and to treat them as something other than an exception or an anomaly? One cannot avoid axing such questions, and the reply is not far to seek.

Doubts arise as soon as we realize that land may yield rent apart from any incepulity in its ferfility. [2ff the whole land of a country were required for cultivation, all of it might yield a rent," says Stuart Mill.\(^1\) Apparently all that is needed is an intense demand and a supply that is never equal to that demand, so that the price is permanently above the cost of production.\(^9\) In such a case even the worst land—assuming that all is not of equal fertility—would yield a rent. Mill was of opinion that this rarely happened in the case of land, but was by no means uncommon in the case of mines.\(^9\) Obviously, then, rent is not merely the outcome of unequal fertility, and the cause must be sought telewhere. Stuart Mill had obviously foreseen this when he

I Phiosphe, Book II, chapter avi, para. 2.

\*\*Wikarcho had already made we of the following argument. "Suppose that the demand is for a million of quarters of core, and that they are the produce of the land actually in cultivation. Now, uppose the fertility of all the land to be an diminable that the very same lands will yield only go,noo quarters. The demand being for a million of quarters, the price of core would five, and recourse must recensarily be had to land of an infrience quality somer than if the superior in and had continued to the control of quarters. "Fertilish, they pare xea, p. 267. Downstein the might be had to land the control of the control

1. A commodity may no doubt, in some contangencies, yield a mot even under the most disadvantageous circumstances of las production; but only when it is, for the turne, in the condition of those commodulat which are absolutely limited in supply and is derefore settling at a scarcity value—which never it, nor has been, nor can be a permissent condition of any of the great rene-yielding commodules," (Principle, Admitted Section 2), and the production of any of the great rene-yielding commodules," (Principle, Admitted Section 2), and the production of a permissent condition of any of the great rene-yielding commodules," (Principle, Admitted Section 2), and the production of the productio

said that "a thing which is limited in quantity is still a monopolized article."

But if such be the explanation of rent on land which is the last to be put under cultivation, what is the explanation in the case of better lands? We are not sure that Stuart Mill foresaw this problem.

This is how he explains the emergence of rent on land No. 1. Production having become insufficient to meet demand, prices go up; but it is only when they have reached a certain level-a level, that is to say, sufficiently high to secure a normal return on the capital and labour employed—that these lands will be brought under cultivation.

The cause of rent in this case is obviously the growth of demand and not the cultivation of land No. 2, because the cultivation only took place when the prices had risen. Moreover, the effect of this cultivation will be rather to check than to encourage the growth of rent by arresting this upward trend of prices through increasing the quantity of corn on the market. The rent of land No. 1 is consequently a scarcity rent which results directly from an increased demand and is independent of the quality of the land. The real cause of rent on all lands, whether good or bad, is really the same, namely, the insufficiency of supply to meet demand.

A similar process of reasoning might be applied to the other differential rents already mentioned, and the conclusion arrived at is that rent, whatever form it takes, is not an anomaly, but a perfectly normal consequence of the general laws of value) Whenever any commodity, from whatever cause, acquires scarcity value and its price exceeds is cost of production, there results a rent for the seller of that product.

In this case Stuart Mill seems to compare rent to a monopoly revenue; "A thing which is limited in quantity, even though its possessors do not act in concert, is still a monopolized article." (Principles, Book II, chapter xvi, para. 2.) The expression, though adopted by several other writers, is not quite accurate. In the case of a monopoly the owners fix the quantity which they will produce beforehand with a view to getting a maximum of profit. But this cannot apply to landowners. At any rate, if there is any monopoly it must be an incomplete one.

2 Ibid., Book III, chapter v. para. 1.

Such was the argument employed by J. B. Say in the course of a controversy with Ricardo. "It is perfectly obvious that if the needs of society raise the price of corn to such a level as to permit of the cultivation of inferior lands which yield nothing beyond wages for the workmen and profits on the capital, then that demand on the part of society, coupled with the price which it can afford to pay for the corn, allows of a profit on the most fertile or best situated lands." (Trail, 6th edition, p. 410) Continuing, he remarks: "David Ricardo in the same chapter clearly shows that the profit from land is not the cause but the effect of the demand for corn, and the reasons which he adduces in support of this view may be turned against him to prove that other items in cost of production, notably the wages of labour, are not the cause but the effect of the current price of goods." Ricardo himself seemed on the point of being converted to this view. See p. 579, supra.

Such is the general formula, and therein we have a law that is quite independent of the law of diminishing returns and of the unequal fertility of land.<sup>1</sup>

But the issue was not decided at a single stroke. English political economy was so thoroughly impregnated with Ricardian ideas that it long adhered to the conception of a differential rent. Continental economists, on the other hand, have always regarded it as a more or less natural result of the laws of demand and supply. J. B. Say had long since made the suggestion that the existence of rent is due to the needs of society and the prices which it can afford to pay for its corn.2 A German economist of the name of Hermann, a professor at Munich, in his original and suggestive work, Staatswirtschaftliche Untersuchungen, published in 1832, claims that the rent of land is simply a species of the income of fixed capital. Whereas circulating capital, because of its superior mobility, has almost always a uniform rate of interest, fixed capital, which has not that mobility and which cannot be increased with the same facility, has a revenue which is generally greater than that of circulating capital. This surplus revenue or rent, instead of being a mere transitory phenomenon, might easily become permanent provided the new fixed capital which enters into competition with it has a lesser degree of productivity. Such precisely is the case with land. A little later another German, of the name of Mangoldt, defined rent as a scarcity price which does not benefit all the factors of production equally, but only those which cannot be readily increased in amount. And rent appears in the guise of a differential revenue simply because scarcity is always relative and is frequently kept in

check by substitutes which generally give a smaller margin of profit.

Schäffle, in a work partly devoted to the subject of rent, published in

1 The theory of economic equilibrium enables us to gove a full better demonstration
of the general nature of the theory of root. On the point we may refer to Partro's

Coars and Scray in 2 Terus dalle Rentle (Rome, 1913).

Cf. supra, p 580, note 3.

<sup>&</sup>lt;sup>3</sup> Hermann, Staatmartichefilieht Unternichungen, Part V: Vom Guunn. Even in the preface he declares that the doctrine of the rent of land must be regarded as a particular lar instance in the exposition of the law governing the returns from fixed capital in

<sup>&</sup>quot;Managolit, Dit Livie son Unterodorageous (Leptus, 1853,) pp. 109 at say
"Die absolutionswite Theore de manifestance Mariestorilizatur (Toltingen)—
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work in which he attempts a justification of resus in general and on the rest of land
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1867, insists on the idea that the soil furnishes rent not because it is a gift of nature, but simply because of its immobility and the impossi-

finally to the less durable and less slowly made implements we find s continuous series [of rents]."3>

lated the theory of rent to the general theory of prices by categorically declaring that "the products of land as far as the nature of their value is concerned afford no exception to the general rule, which applies to the value of the services of a machine or a tool, of a house or a factory, or any other economic good,"1 The only difference, apparently, which present economists recognize between rents conceived of in this fashion is their greater or lesser

bility either of removing it or of increasing its quantity. Finally, Karl Menger, in his Grundsätze der Volkswirtschaftslehre, published in 1872, in outlining the foundations of the modern doctrine of value, assimi-

duration. The rent furnished by a first-class machine will disappear very readily because new machines can be turned out to compete with it. But when the rent is due to superior natural qualities, whether of land or of men, the element of rent will not be so easily got rid of To borrow a phrase of Pareto's, we may say that the rent will be of a more or less permanent character, according to the ease with which savings can be transformed into capital of a more or less durable kind. Dr Marshall sums up his subtle analysis of the problem under considera tion as follows: "In passing from the free gifts of nature through th more permanent improvements in the soil, to less permanent improve ments, to farm and factory buildings, to steam-engines, etc., and

This new claim on behalf of rent is very interesting, and those who regard rent as exclusively uncarned increment may ponder over this new characteristic of uncarned incomes.

<sup>1</sup> P. 149. 3 "The sum paul for the use of land differs in no material respect from the sum paid for the use of other ands of capital—a machine, for example. Although the land or the machine has to be returned to its rightful owner in the same condition as it was received, one ought to pay something just because such rapitals are seconds all scarce; in other words, the amount existing at any one time or place is not greater than the demand. What differentiates land from machinery is that savings might easily be employed in turning out new machinery, but cannot very well for reast the quantity of Land in existence, or at any rate cannot transform existing sols in a manner that is profitable." (Pareto, Cours of Commune politique, Vol. II, para, 739) of landad makes use of analogous terms: "If the supply of any factor of production is limited, and incapable of much increase by man's effort in any given period of time, then the mecome to be derived from it is to be regarded as of the nature of sent rother than profits to inquiries at so that action of economic causes during that period, although he hages periods is may rightly be regarded as profits which are required to used part of the expenses of production and which therefore directly saver law these

expenses" (Proc.phs, 1st of , Book VI, chapter at, para 1) " Ind , Buca VI, chapter M. para, 7

VIne series, we might add, may be extended to a point at which rent becomes negative, i.e., until the conditions of demand and supplebecome such that the factor of production which previously yielded a supplementary revenue no longer gives even the normal rate of remuneration. Thunen had suggested the possibility of a negative rent, and the idea has been furthere developed by Pareto.

(These writers seem to regard rent simply as a result of the ordinary operation of the laws of supply and demand.) The concept rent has been generalized so that it can no longer be regarded as a curiosity or an anomaly. The law of diminishing returns loses much of its economic importance, and even the Ricardian theory which is based upon it seems imperilled. After the numerous polemics to which it has given rise this theory, along with the Classical theory of value, has been practically relegated to the class of doctrines in which the historian is still interested but which are apparently of little practical value.)

## II: UNEARNED INCREMENT AND THE PROPOSAL TO CONFISCATE RENT BY MEANS OF TAXATION It does not appear that Ricardo fully realized the damaging conservation.

At does not appear that Ricardo fully realized the damaging consquences which would ensue if the doctrine of rent ever happened it be made the basis of an attack upon the institution of private property. He was quite satisfied with the inference which he had drawn from it in support of the free importation of corn, and did not fel called upon to defend the rent of land any more than the interest of capital, both of which seemed inseparable from a conception of private property.

1 Did space permit, this would be the place to refer to the brilliant exposition of the doctrine of rent which is to be found in Clark's Distribution of Wealth, published in 1899. In that work, upon the strength of which the author enjoys a well-deserved reputation, revenues of various kinds are successively treated as rents. Imagine a fixed amount of capital applied along with successive doses of labour, each new dose of labour will produce less than the preceding one, while the production of the last dose regulates the remuneration of all the rest. But the product of the preceding doses is greater than that of the last, and a surplus value will be produced which will tepresent the product of capstal and which will be exactly analogous to rent. Or suppose, on the other hand, that the quantity of labour is fixed and applied along with successive doses of capital, the productivity of the latter will in this case go or decreasing, and since the revenue of each dose will be proportionate to its productivity. any surplus left over will be of the nature of reot due to labour. There are other ingenious discussions which cannot be referred to in a note of this kind. But in our opinion the theory of economic equilibrium affords a simpler explanation of distribution, and the kind of optimism to which Clark's theory gives rise seems hardly justified Hu attempt to combine the idea of marginal productivity with the law of diminishing returns is a further proof of the periatent influence exerted by Ricardian ideas upon English-speaking economists."



Thereupon he was obliged to flee to London, where he carried on an active propaganda in support of these ideas, achieving a certain measure of success. In 1781 a distinguished professor of the University of Aberdeen of the name of Ogilvie published an anonymous essay on the rights of landed proprietorship, wherein confiscation was proposed by taxing the whole of the value of the soil which was not due to improvements effected by proprietors. But little notice was taken of his suggestions, despite the fact that they had won the approval of Reid the philosopher. Tom Paine, in a pamphlet published in 1797. gave expression to similar ideas,1 and the same views were put forward in a book published in 1850 by a certain Patrick Edward Dove. 9 The following year Herbert Spencer, in his book Social Statics, claimed that the State in taking back the land would be "acting in the interests of the highest type of civilization" and in perfect conformity with the moral law. It is true that in a subsequent work he took pains to point out that all that can be claimed for the community is the surface of the country in its original unsubdued state. "To all that value given to it by clearing, making up, prolonged culture, fencing, draining, making roads, farm buildings, etc., constituting nearly all its value, the community has no claim." But despite this reservation the justice of the general principle is clearly recognized by him

Other communities besides England have put forward a similar demand. Not to mention the claims made by socialists like Proudhon and the Belgian Baron Colins, and Christian Socialists like François Huet, we find that a similar method of procedure is advocated by philosophers like Renouvier, Fouillée, and Secrétain Some of them even go the length of claiming compensation for the loss which this usurpation has involved to the present seneration.

Thus, a conception that was already ancient even when the law of rent was first formulated proclaimed the inalienable right of man to the soil and demanded the re-establishment of that right. We shall hear an echo of that ancient belief in all the advocates of land nationalration, in Sturart Mill, Wallace, Henty George, and Walarsis and

Agerman Juttze opposed to Agranan Low and Agranan Monophy of the Property of Human Progression and Natural Probability of a Ragn of Juttee. For further information concerning Spencer, Ogulve, Dove, Paine, etc., see Escarra's Nationalizations di Sel et incollinie (Paris, 1904). We have drawn upon his book for the views here put horward, the works of these writers not being easily accessible.

<sup>&</sup>lt;sup>2</sup> Jaufie, p. 93
<sup>3</sup> The land is the original heritage of the whole human race," says Mill in his Am-The Itand is the original heritage of the whole human race," says Mill in his Districtions and Districtions. In the Proceeding, Book II, chapter in para, s, he expresses his view than, "The essential pronciple of property being to assure and previous what they have produced by their labour and accumulated by their abstunctes, this principle cannot arroby to what is on the morehize of balow; the remained and the principle cannot arroby to what is on the morehize of balow; the remained and the principle cannot cannot be under the one of the principle cannot be under the principle cannot cannot be used to be under the principle cannot be used to be under the principle cannot be under the principle cannot be used to be used to be under the principle cannot be used to be us



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Nationalisation di Sol et socialisme (Paris, 1904). We have drawn upon his boo views here put forward, the works of these writers not being easily accessible \* Jutice, p. 92.

<sup>&</sup>lt;sup>1</sup> Agranan Junce opposed to Agranan Law and Agranan Monopoly
<sup>2</sup> The Theory of Human Progression and Natural Probability of a Reign of Junter. For further information concerning Spencer, Ogdine, Dove, Paine, etc., see Escara's Natunalisation du Sal et seculaira (Paris, 1904). We have drawn upon his book for the

<sup>&</sup>quot;Junue, p. 93.

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Districtions and Document. In the Prisciples, Book III, chapter ii, para, 5, he expresses

this views thus: "The essential principle of property being to assure to all persons while

they have produced by their labour and accumulated by their abstinctes, this

principle cannot apply to what is not the produce of labour, the raw material of the

## \$76 THE THEORY OF RENT AND ITS APPLICATIONS

this is one of the many links that bind them to those earlier writer Gossen is a solitary exception. Dut a simple pronouncement on the illegality of property does no take its very far. Appropriation of public property for private purpose

it begot a new theory-the theory of rent.

a right proclaimed by the fact of their existence"

is undoubtedly a great injustice, but the transaction is so old tha retribution would serve little useful purpose, and the authors, were the still alive, would be safely ensconced behind their prescriptive rights Moreover, most of the present proprietors, possibly all of them, cannot be accused of violent theft. They have acquired their land in a perfeetly regular fashion, giving of their toil or their savings in exchange for it. To them it is merely an instrument of production, and their possession of it as legally justifiable as the ownership of a machine or any other form of capital. To take it away from them without some indemnity would not be to repair the old injustice, but to create 2 new one. Hence it is that the doctrine of the right of the community to the land had little more than philosophic interest until such time as

What the Ricardian theory really proves is the accumulative nature of the benefits accruing from the possession of land. This spontaneous, automatic character of rent makes it unique: to no other form of revenue does it belong. The extension of cultivation, the increase of population, the growing demand for commodities, means an indefinite progression in the value of land. The interest, initiative, and intelligence of the proprietor are of no account. Everything depends upon the development of the social environment. This value which is created by the community should also belong to it. Just as the landed proprietors in times past filched the land, so they to-day absorb this income. But why allow this injustice to continue? (Suppose," says Stuart Mill,

that there is a kind of income which constantly tends to increase without any exertion or sacrifice on the part of the owners, these owners constituting a class in the community whom the natural course of things progressively enriches consistently with complete passiveness on their own part. In such a case it would be no violation of the principles on which private property is founded if the State should appropriate this increase of wealth, or part of it, as it arises. This would not properly be taking anything from anybody; it would merely be applying an accession of wealth created by circumstances arth." Walras, in his Theorie de la Propretté, in the Études d'Économie sociale, p. 218, yes that the land by a kind of natural right is the property of the State. Hear corge, in Progress and Powerly, Book VII, chapter i, maintains that "the equal right 'all men to the use of the land is at clear as their equal right to breathe the six-of

to the benefit of society, instead of allowing it to become an unearned appendage to the riches of a particular class. Now this is actually the case with rent.13

The argument seems quite decisive. At any rate, Ricardo's book was hardly out of the press before the demand for confiscation was renewed.

His friend James Mill, writing in 1821, claimed that the State could legitimately appropriate to itself not only the present rent of land, but also all future increments of the same, with a view to compensating for public expenditure. The Saint-Simonians, a little later, expressed a similar view. But it was James Mill's son, John Stuart Mill, who showed the warmest attachment to this idea. The Principles contains a general outline of his reform plan, which took a still more definite; shape in the programme of the Land Tenure Reform Association, founded in 1870, and in the discussions and explanations which accompanied it.4

The following are the essential points: (\*) The State will only appropriate for its own use the future rents of land; that is, the rents paid after the proposed reform has been accomplished. (2) A practical beginning will be made by valuing the whole of the land, and a periodical revaluation will be made with a view to determining the increase in its value, and whether such increase is or is not the result of communal activity. A general tax would transfer this benefit to the State. 5 (5) Should any proprietor consider himself unfairly treated the State would give him the option of paying the new tax or of buying back the property at the price obtainable for it had he determined to sell just when the reform was being brought in.

Mill was opposed to immediate nationalization. Not that he thought it unjust; on the contrary, he was fully convinced of its equity. But our experience of State administration and of the work of municipal bodies did not seem to him to warrant any great faith in the utility of any such measure. He was afraid that "many years would elapse before the revenue realized for the State would be sufficient to pay

<sup>1</sup> Principles, Book V, chapter ii, para. 5.

<sup>3 &</sup>quot;This continual increase arising from the circumstances of the community and from nothing in which the landholders themselves have any peculiar share, does seem a fund no less peculiarly fitted for appropriation to the purposes of the State than the whole of the rent in a country where land has never been appropriated " (Elements of Political Economy, chapter iv, para. 5.) Cf. mire, chapter on Saint-Simon.

<sup>4</sup> Principles, Book V, chapter 11, para, 5. Cf. also chapter 111, paras. 2 and 6 For thoprogramme of the League see Dustichout and Discussess, Vol. IV.

Mill thought it impossible to distinguish in individual cases between the surplus value which is due to general curcumstances and the surplus that results from the expenditure undertaken by the proprietor. Hence his conclusion that a general tax was the most equitable method of procedure with a view to effecting confiscation.

the indemnity which would be justly claimed by the dispossessed proprietors."1

Nor did he attempt to disguise the fact that the financial results would in his opinion be somewhat insignificant and the scope of the reform naturally somewhat limited. A few years only were to clapse before another writer proposed a much more radical measure which was to effect a veritable social revolution. It was a project to abolish poverty and to secure distributive justice that Henry George now

launched on the strength of his belief in the doctrine of rent.

Henry George (1839-97) was not a professional economist. He was a self-made, self-taught man who followed a variety of occupations before he finally blossomed forth as a publicist. At the age of sixten he went to sea, and led a roving life until 1861, when he settled down at San Francisco as a compositor, finally becoming editor of a daily paper in that city. He witnessed the rapid expansion of San Francisco and the development of the surrounding districts as the result of the great influx of gold-diagers. He also saw something of the agricultural exploitation of the western States. The enormous increase in the value of land and the fever of speculation which resulted from this naturally left a lasting impression upon him. Progress and Foverty (1939), the book which established his fame, is wholly inspired by these ideas.

The book aroused the greatest enthusiasm. It has all the livelines of journalism and the eloquence of oratory, but has neither the precision nor the finality of a work of science. It economic hereise, though obvious enough, detracted nothing from its powerful appeal, and the wonderful setting in which the whole problem of poverty war placed has not been without its effect even upon economists? nor is the powerful agitation to which the book gave rise by any meant extinct.

It seemed to Henry George that landed proprietors, in virtue of the monopoly which they possess, absorb not merely a part but almost the whole of the benefits which accrue from the increase of population and the perfection of machinery. The progress of civilization seems helpless to narrow the breach separating the rich from the per-While rents go up interest goes down and wages fall to a minimum.

Descriptions and Discussions, Vol. IV, p. 245.
Property and Parety was not his first effort, however, In 1871 Our Lost and Lost Parloy had appreared, and in 1875 IT Lost Quithon. Exter till be published Principles on First Trade (1976), in which he pure Servand a strong case for First Trade, and in

<sup>1841</sup> An Open Letter to Pope Lea XIII on the condition of the workers.

4 Clark in his Distribution of Walls states that the method by which he toes to determine the exact productionty of each factor of production is one that he heavied from Henry George.

Every country presents the same phenomena—extreme poverty at one end of the scale accompanied by extravagant luxury at the other. Is this unhappy result a kind of hybrid begotten of the Malthusian

Is this tunappy result a kind on hypoth egotient on the National law and the law of diminishing returns? Must we, after all, agree with Malitus, Ricardo, and Mill when they say that the cause is to be sought in the increase of population outrunning the means of subsistence? Henry George thinks not, for experience everywhere seems to show that the rich are growing in numbers much more rapidly than the growth of population warrants, and that organization is really performing wonderful feats under very difficult conductions.<sup>1</sup>

Is it caused by the exploitation of labour by capital, as the socialists seem to think? George apparently thinks not, for the two factors, capital and labour, seem to him so intimately connected that both of them are easily exploited by the landowners. Every man, he thinks, could devote his energies either to the production of capital or to supplying labour—capital and labour being merely different manifestations of the same force, human effort. The benefits resulting from the formation of capital on the one hand and from the exercise of labour on the other tend to be equal, and any inequality is immediately counteracted by a larger production of one or other of these two factors, with the result that equilibrium is soon re-established. The rate of interest and the rate of wages can never vary inversely.

But if we can neither accuse over-population nor lay the blame at the door of exploitation, how are we to account for the fact that the labourer is still so miscrably paid? It is entirely, he thinks, the result of rent. Hitherto executingly severe in his handling of some Ricardian theories, George has no hesitation in pushing the doctrine of rent to its extreme limits.

He points out that owing to the existence of competition between capital and labour the rates of interest and wages are determined by

<sup>1 &</sup>quot;Twenty men working together will, where nature is niggardly, produce more than twenty times the wealth that one man can produce where nature is most bountail." Of, also the whole of Book II, which is a disproof of the Malthussan theory.

<sup>&</sup>quot;"Labour and capital are both different forms of the same thing—human exciton. Capital is produced by inbour; it is, in fact, but labour unpresend upon matter.

The use of capital in production is, therefore, but a mode of labour. Hence the punciple that, under croumstances which permit free compension, operates to bring wages to a common standard and profits to a substantial equality—the principle that we have been appropriated to be a common standard and profits to a substantial equality—the principle that manustain this equilibrium between weaper and interest. And this relation fixed, it is reldent that interest and wages must rise and full tagether, and that interest cannot be increased without interesting wages, now wages be lowered without depressing interest." (Prepar and Parely, Book III, Aspiter v.) It is hardly necessary to exceed the contractive contractive training interest and indicates concerning the relation between weapers and interest ratilly in.

the yield of that capital and labour when a the Picts of that capital and second when a margin of cultivation—that is, to land that yie fankin or commentation—more of the matural monopoly which is thus in virtue or the matural monopoly when is exact for the use of other lands any amount minimum. The result is that rent goes on gradu minimum. The result is toast tent fores on gradu-limits of cultivation extend. As population grow more extensive and varied, as technical processes and labour becomes less and less necessary, new under cultivation, such lands being generally of at tracer contribution, such tands being generally of ar.

The result is that the lands which were previous always yield a tent to the proprietor. Thus the prog anyaya yicin a rein to me proprietor. Arma vice pro-whatever form it take, alwaya (ends to the same rea for the benefit of the landed proprietor, i

Here is a little village; in (en years it will be a g Here is a time vinage; in ten years it will be a g years the railroad will have taken the place of the Jeans the railroad will have taken the place of the candle; it will abound with all etectric tight of the canade, it will account with and improvements that so enformatify multiply the and improvements that so enormously multiply the of labour. Will, in ten years, interest be any higher? He will tell you "No!" "Will the wages of common)

The way ten you "No!" "You the wages or common wighter?" He will tell you "No!" "What, then, will be Rent: the value of land. Go, get Jourself a piece of

Kenr the value of tang. Go, get Journett a piece of the fold postession. You may sit down and smoke po thous production of the state of distribution, whose erry simplicity constants and a Rock V, Calput Bir '18 every direction, the state of the state ret, may be found in Book V, Chapter II; "In every direction, the or success of submark forms and so increase the power of human labour to a command of the submark forms and so hand, have submark forms and so have so that Wanging critication is to increase the power of human labour to a compact governs and to bamah want and the fear of war. and estimate poverty and to banah want and the fear of war cannot reap the benefit which adjuncing circlustion that bridges and the state of the cannot be adjuncted to the cannot be a Cannor reap the benefits which advancing civilization thus one is insurepted. Lind being successary to labour, and being returns a fallowing and their returns a fallowing the property of the United parts and soing artisacy to account the second soing artisacy to account the productive power of labour out increase and "The state of the opposition o It shows must pay for the opportunity to white in power; and it agained by the murch of progress go to the country of land, and 29 Samon by the marth or program go to the comment of lates, and a comment of program go to the comment of lates, and a comment of the comment of lates, and the comment of lates and the comment of lates and lates are lates and lates are lates and lates and lates are lates are lates and lates are lates and lates are lates are lates and lates are lates and lates are lates are lates and lates are lates are lates are lates and lates are lates are lates are lates and lates are lates are lates are lates are lates are lates and lates are ster. Monte, Martine, oder fed flam foat fest stoffed dave dan-dispropriette enable preduction to be carried on where it was As most star, and small, and all all the other it was At most the end only cashe capital and labour to precent increasing, it will not proceed them any share in the program that it internation, it was possible them any thare in the progress were a relatively speaking, it is not to any that e in the progress were marked with react and interest his marked with react and interest his marked with react and progress were a react and react the resultively spreaking, it is true to say that wager and interest on paragraph with rene. "When I say that wager fall at ren rises I

use the proportion of wealth obtained by labourers at warr a necessary on east diminish white it bears to the whole produce of security bear and the security for the whole produce of security bear and the security for the security bears and the security for the proportion may disting which it bears to the whole produce as necessary sensure by calling the continuous while the quantity transmit the same of the transparent CV also leads to the whole produce as necessary sensure sections, confuses a sensure of the product 1600s V, Capher v. C. Ano Bost IV, Chapter iii.) Group, bit Ricardo and a says accidents, configure two different problems, manch, the pronoutional distribution of the archive between the pipe of problems. than we cannot continue two different problems, namely, the price of production (Sect. V). He said be producted distribution of the product expected the different section V. services and the proportional distribution of the product between the difference margin of cultivarian hand, and however, that secondly discovery, by pushing of production (Book V). He adds, however, that scientific discovery, than a commercial continuous control of the point where the law of diminushmen. than counterful and a feet to that point where the the worker, real wager, and

may lie around like the Leggereii of Naples or the lepers of Mexico; you may go up in a halloon or down a hole in the ground; and without doing one stroke of work, without adding one lota to the wealth of the community, in the years you will be rich! In the new city you may have a luxurious mansion; but among its public buildings will be an almahouse.

Accordingly Henry George regards rent not so much as a species of revenue which, as Suart Mill saw, is particularly easy to absorb by means of taxation, but as the very source of all evil. Once get rid of rent, poverty will be banished, inequality of wealth will be removed, and economic crises—which George thought were the result of speculation in land—will no longer disturb the serenity of commercial tick. But it is hardly enough to aim at the future increments of rent, for the damning consequences of privilege would still remain if landowners were allowed to retain even their present rents. The whole abomination must be taxed out of existence. Such a tax would yield sufficient to defray all State expenditure, and other forms of taxation could then be dispensed with. In the single tax advocated by Henry George we have a curious revival of the Physicoratis 'upp's timipue.

have a curious revival of the Physiocrasis unfit unique. George's system is open to serious critician both from the economic and from the chical standpoint. From the economic point of view it is obvious that the right of private property does confer upon the proprietor the right to such benefit as may accrue from a possible surplus value, but it is not at all clear—nor has George succeeded in proving it—that such a right absorbs the whole benefit which accrues from social properss. Betides, it seems rather childish to thusk that rent is the sole cause of poverty and that its confiscation would result in the removal of the evils of poverty.

From the point of view of equity it seems clear that George in removing one injustice is at the same time creating another. To rob the present projections of the rests which they draw is simply to deprive them of advantages which many of them have acquired either by means of labour or economy. Land is no longer acquired merely by occupation: the tunul way of getting hold of it to-day is to buy it. And if we consider that such a transaction is just, were bound to recognize the legitimacy of rent just as much as the interest of capital. Confuscation might be justified in the case of those who first unlawfully occupied the land. But how many of them are left now?

Further, if we are going to relieve the landowner of the rent which results from the progress of civilization, we ought to indemnify him for

<sup>1</sup> Progress and Penerty, Book V, chapter is.

That portion of their revenue which represented the capital sunk in the land would still be the property of the landowners.

any 'decrement' which may have resulted through no error of his Stuart Mill anticipated this objection! and gave the dissatisfied pro prietor the option of selling his land at a price equal to its major value at the time when the reform was inaugurated. Henry Geograpparently never faced this aspect of the question. He thought that 'decrement' would be very exceptional indeed, and that the persistent of increment values is as thoroughly established as any law in the

physical world ever was.

Mill's system, though much more moderate than George's, is by no means beyond reproach. The common element in both systems—i.e., the emphasis laid upon unearned increments—has been criticized by both socialists and economists.

The socialists point out that if the object is to get rid of unearned

The socialists point out that if the object is to get rid of uncarred incomes the interest of capital as well as the rent of Inad ought to be confiscated. While agreeing with the object, they claim that they are more logical in demanding the extinction of both kinds. But this criticism is not quite a complete answer to Mill and his supporter, for the latter regarded interest as the legitimate remuneration, if not of the labour, at least of the abstinence of the capitalist. Interest is the remuneration of sacrifice. But the socialists are not convinced They cannot see how the negative effort of the capitalist is to be compared with the positive effort of the labourer, and they have not been

sparing in their denunciation of Mill and his followers.

The economists adopt a different line of criticism. The argument is that the rent of land is illegal because the progress of society has

contributed more to it than the work of the proprietor. But is there

\*Mill points out that the answer to this objection is that the right of elling the
land at a price which depends upon two contrary conditions (gain or loss) restricted
a laid of equilition. The State would not be amounting by this, for a fall is when
m one place, unless it be accompanied by a general want of properties, implies a
corresponding increase somewhere elle, of which the State will get the benefit

corresponding increase somewhere else, of which the State will get the conlinations and Diracisson, Vol. 19.

3 M. Eransoli, however, in the secretization from a right field for length, 19.3 (Farin, 19.2) and the secretization of the secretization of the secretization of the granuture of subsection of the secretization of the secretization of the further observation that the comprehance would often be pair to a press soft that the one who pout the tax when it was briefed to the property in the areasing

than the one who pair the the when it was represented property as Manuage changed hands. Attended the agency of movelule and immovable property as Mill, Proceeding, the Mill. The constitution of general property as Mills in the short Bank, and the constitution of the property of the Mills in the short private, of a right interest in the constitution of general property. As MILL is the short private, of a right interest in the constitution of the properties, he as the private, of a right interest in the constitution of the properties of the own at the, or received either by gift or by flar agreement without have so fact to make who produced it. Such a defination at less simples that being larged in Siryll. A known is distinguished from the land upon whe h is no boils, where the former as began followed. any kind of revenue which is altogether free from such criticism? Every kind of revenue contains some elements that are essentially social in character; that is, elements that depend entirely upon the demands of society. The growth of social demand often brings to capital as well as to land, to labour as well as to capital, quite unexpected and occasionally extravagant incomes. Has not political economy in the course of its development been forced to recognize the existence of a whole series of rents differing from the rent of land merely in respect of their shorter duration? Was the fortune of the celebrated hunchback of Quincampoix Street, who lived in the glorious days of Law's system, in any way different from the fortune of the Duke of Westminster, who owns large areas of the City of London? Or is the surplus value conferred upon old capital by a mere fall in the rate of interest in any respect different from the surplus value acquired by land under the pressure of growing population? The most striking thing, apparently, about unearned increment is its ubiquity. Society, presumably, does not distribute its revenues in the way a schoolmaster rewards the most painstaking or the most meritorious pupil. It puts a premium upon the services that are rarest, but never inquires whether they involved any greater amount of sacrifice. Such premiums simply denote the intensity of its own demands What right have we to isolate one of these and demand that it and it alone shall be confiscated?

Stuart Mill has given the only reply that is possible by showing that none of the other rents has either the persistence or the generality of the rent of land. That reply seems clear enough to justify at least a partial application of the systems of Henry George and Stuart Mill.

About the year 1880 several leaguer were founded in England, America, and Australia with a view to propagating what George's followers call his "sublime truths." On the other hand, several attempts have since been made, especially by municipalities, to tax surplus values." As far back as 1807 a law was passed in France requiring riparian owners to pay compensation in cases where their estates bordered upon public works which in any way contributed to the greater value of the property. But the law is very seldom enforced. In London the principle was recognized as far back as the seventeenth century,

<sup>1</sup> Mill, Dissertations and Discussions, Vol. IV, p. 298.

<sup>\*</sup>Epocially to England, where various achieves have been propounded and investigated by Royal Communious since the beginning of this century. Such schemes are discussed in a very thorough fiathion in Enandr's book abreaty mentioned, and in an article entitled Remit Scheme for Entiry United Theory United Control to the Enumera Januari in 1956.

\*Article 20 of the Act of September 16, 1007, rains as follows." If as the result of

or an experience to room, rame at follows. It as the result of

but has long since fallen into desuetude, 1 The rapidly in the beginning of the century, in especially. Numerous projects were launched w surplus value of urban lands not used for build of the schemes were fairly successful. The ciple was one of the more prominent features Budget of 1909, which roused so much opposit long constitutional struggle between the Liberal House of Lords to a head. The economists are question. The imposition of a Watheweachsteuer municipalities led to a fresh discussion of the topic views and polemical works, and the principle w German Imperial Act of 1911, creating a special tax

These ideas have never obtained the same hold property is subdivided to a much greater extent than and where tent is accordingly distributed among a gr cultivators and naturally raises less opposition. In a the slow growth of the population in France makes the acute than it is in Germany, where the workers find tha proportion of wages is absorbed in the payment of r

III: SYSTEMS OF LAND NATIONALIZATI

The 'land-nationalizers,' whose schemes now come unde tion, not content with the taxation of a part of the revenue. demand that the whole of it should again become the prop State.

Apparently a much more thorough-going suggestion tha the preceding ones, especially Mill's, in reality it is a much

the improvements already mentioned in this Act—through the making of p on the laying out of new squares, through the construction of quays or othe works any prints properly acquire a botable increase in value, and, but the made to pay an indemnity with only be equal to hill the walks. But he made to pay an indemnity with only be equal to hill the walks. must up make to pay an interantly which may be equal to asn the same divantage which has thus accord to it." The principle was rarely applied, be the arranges, whosen the time activities to it. The principle was rarry appure, to a noise facility (Trial Albandaur de Droit abbasility), 1900, p. 621) states to an only find twenty occasions on which the law was brought into operation a relating to the widening of certain streets in Westminster in which the prim

system that is proposed. The advocates of land nationalization think, with Mill, that the surplus value of the land should be reserved for the State, and, lake him, they have great faith in the persistence and continuity of this surplus value. They also agree with him when he pust forward the claim of society to the possession of the soil, but they never suggest that it should be taken from its present owners. They reject the distinction between earned and unearned income and consider that they are both equally legitimate. But, unlike Mill, they never feel that they can say to the landed proprietor, "Thus far and no farther." Appropriation is advocated simply on the ground of its public utility, and care is taken to hedge it round with all kinds of guaranters. Proprietors are to be indemnified not merely for the loss of income it would immediately involve, but also for the loss of any future revenue upon which they had reckoned. Could anything be simple or more reasonable?

sumpace or more reasonator?

The practical interest of a system of this kind cannot be very great. Such a fundamental change in the institution of private property, especially in old countries, could only be accomplished by means of a revolution. Revolutions are to be undertaken in no light-hearted fashion and never without the sanction of absolute necessity. Curiously enough, all the great changes in landed property during the last hundred years have been in the opposite direction. After the First World War in the Balkan countries (Hungary and Rumania, for example) the land was divided among the peansts, as it had been formerly in Russia after the emancipation of the serfs. Even in the Russia of to-day the first mosp of the Bothevit revolution has been to create peasant property. Since 1930 the Russian agricultural reform has consisted not in nationalization of the sold but in the greation of Kolkhovy, which are co-operative farming enterprises. The prospects of nationalization are certainly not very row.

The extremely hypothetical character of the schemes now under consideration relieves us of the necessity of examining their organization in any detail, although this question of the minutize is apparently one that strongly appeals to the creative instinct of these Utronians.

Of greater interest are the grounds on which they base their demand and the economic processes by means of which they hope to accomplish their aims. From this point of view the most interesting systems are those of Gossen and Walras. Gossen's scheme is expounded in a curious volume entitled Enticklang for Gustes des menchilehes Verkein, and Walras's is developed in a memorandum addressed by the author to the Vaudoise Society of Natural Sciences in 1830. Both works contain ideas from which the economist may learn a good deal, and

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both writers claim that the successful adoption of their schemes wouk enable the State to make an offer of free land to all citizens.

(a) Gossen's book appeared in 1853.1 It is a curious coincidence that the French Bastiat, the American Carey, and the German Gossen should all be engaged in developing an optimistic thesis just about the same time. Of the three, Gossen's was the most optimistic and by far the most scientific. He concurred in the judgment of the Physiocrap,

who believed that the world was providentially subjected to the action of beneficent laws which men must know and obey if they are ever to become happy. Such, he thought, are the laws of enjoyment, or of utility or ophelimity, as we call them to-day. A person who merely follows his own interests finds that unconsciously, perhaps, he has been contributing to the happiness of the whole of society, Goren gives a remarkably clear proof of the theory of maximum ophelimity, based upon a very ingenious analysis of wants, According to this theory, every individual who pursues the satisfaction of his own desires under a regime of free competition helps in the realization of the maximum satisfaction by everybody concerned. If it be true that each individual in pursuit of personal enjoyment unwittingly contributes to the well-being of the whole community, it

is clear that every one ought to be given the utmost possible freedom in the pursuit of his interests. But there are two great obstacles in the way of this. The first of these is want of capital, which Gouen thought could be obviated by creating a huge Government bank which would lend capital whenever required. The mechanism of the bank is described in considerable detail. The second obstacle is the existence of private property in land. If man is to develop all his faculties and to use them to their utmost extent in the production of wealth, he must be allowed to choose his work freely and to carry it on under the most advantageous circumstances possible. But private

property hinders free choice. "Thanks to this one fact," says Gossen, the obstinacy of a single proprietor often hinders the best development of the land which belongs to him and prevents its utilizate of in the fashion that would best meet the needs of production. The necessity for the compulsory purchase of land for industrial put-poses, for the making of roads, railways, or for developing more,

I No nonce whatever was taken of it then, and even in the proof of the of the great Hundscortestuck der Staatisationischaften, published in tryen, no mention is made of Comen's name, although the third edition of that work has made ample reparation The book was reproduct in 1224. On the relation between the sless of Genera and these of Journs and Walras are trained's interesting article La Emmedia Harmone Harri Gosses, published in the Journal des Emmutes in \$73, and seperat and a La Ender & Emenie metale, pp. 311 of up

affords an indication of the unsatisfactory condition of landholding as it exists at present.<sup>1</sup>

It is obviously necessary that the community's right to the soil should again be restored to it, so that every one might be free to demand and to obtain the use of as much of it as he required. Every industry could then choose that locality which seemed best fitted for it. The right of using the land might be disposed of by public auction and given to the bidder who offered the highest rent. There would thus be a kind of guarantee that the organization of production at any one moment was being carried on in the most favourable fashion—relatively, that is to say, to the knowledge possessed by the community at that teried.<sup>2</sup>

Walras's position is not quite so frankly utilitarian as Gossen's Lt was the analysis of the respective roles of the individual and the State, of which he gave an exposition in his lectures on La Thoriz ginitals de la societi (1867), that inspired his reform. Following Henry George, he sought a reconciliation of individualism and socialism—a reconciliation which he variously speaks of under the term: 'tiberal

socialism," synthetic socialism," or simply 'syntheticism."

"M was his opinion that no real opposition existed between the State and the individual, that the one is just the complement of the other. Taken separately, it has been well said that they are nothing better than abstractions; the only real mans its to social man—man living in society. This man, as we know, has two kinds of interests—the one personal or individual, and as such opposed to the interests of other beings; the other social or collective, common both to himself and his fellows—and unless these are secured the existence of the race is immediately leporatized. The two groups of interests are equally important, for they are both equally necessary for the life of the social being. The State and the individual are mere planes in the life of the

<sup>1</sup> Entwickelung der Gesetze, p. 250.

Come see other advantage that would follow such reform. He enumerates them that (3) The confusions of near would reduce be possiblily of tung without working, and this would increase the industrial activity of the class under consideration. (4) The legal transference of property would be greatly amplified (4) Producers would be exempted from buying land and from keeping capital for this pure.

(4) First would take the place of traxition to a very considerable carion, and

would fee the collection of it from very trace of versation or injustor. (Ind., p. 27).

§ C. the fragment entitled Mitche's de Carculation we for public, us the fixed £ Emmans
solid.

Henry George in his preface to Prigous and Foorly write thus "What I,
have done in this book ... is to unite the rutch percrived by the school of Smith and not the truth percrived by the school of Smith and Rikarsh to the truth percrived by the school of Proudhon and Lassalt; to show that of the school of

<sup>4</sup> Études d' Économise sociale, p. 239.



in exchange for the land. The rents, which would still be received by the State—for there is no prospect of cessation of growth—would be employed partly in paying interest on the debt and partly in redeeming it; so that at the end of a certain period, say fifty years, the State would have paid back all the capital and it alone would henceforth draw the rents.

It would have been unnecessary to add anything to the exposition as given by Walras but for the objection which he himself raised to it, and which led him to give a very interesting account of his belief in the permanence of rent.

"If," says Walras, "the State pays to the proprietors the exact value of their lands, reckoning in that price a sum equal to the estimated value of the future rent, what is it going to gain by the bargain?" If the value of the soil is carefully computed in the manner indicated above, them the interest on the capital borrowed to effect the purchase and the rents received must exactly balance one another, for one is just the price of the other, and the State will find that the rent of land is insufficient to repay the outlay involved. The results will cancel one another. Some inconveniences will doubtless be avoided, but there will be no outstanding advantage. How are we to get rid of this objection?

The difficulty is soon removed, for once the system outlined above is adopted there will be an end to all speculation in land. When individual buyers find that they must pay the owners a price that covers all surplus values which the land may possibly yield in the future, which would mean that they would not get any of that surplus value themselves, they will not be quite so keen. This is not the case, however, at the present time. Speculation of this kind is rife everywhere, for the good reason that a surplus value is always a possible contingency. The more perspicacious or better informed a buyer is, the more firmly does he believe in this advance and the more careful is he to safeguard his future interests. The State, so soon as it has bought back the land, will be in the position of the speculator in question. Walras is of the opinion that the surplus value is certain to grow in future even more rapidly than the actual possessors of the land imagine. Thanks to economic evolution, what the private proprietor can only speculate on the State can rely upon with absolute certainty \*

<sup>&</sup>lt;sup>1</sup> Gonen gives reasons for thinking that the State, owing to its superior position as compared with individuals, might offer better terms to the proprietors than ordinary buyers could—among others, that the State can borrow cheaply and could consequently offer a better price.

A similar idea underlies Gide's proposal in an article contributed to the Jacrael dis Economista for July 1833. "The State would offer to buy the land and pay for it

I believe, along with several competent economists, that when humanity left the purely agricultural system under which it had lived for thousands of years and entered upon a regime of industry and commerce, under which agriculture is still necessary to fed yearwing population, but only possible with the expenditure of vast amount of capital, it achieved a notable triumph, and it step it then took marks a veritable advance in economic evolution I also believe that as the result of this evolution rent will contain to grow, but without involving any scarcity or increase in the value of agricultural produce—a fact that has escaped every one exert the wideawake and the well-informed, and by which propriets alone have profited. I further believe that if the State had bought the land before this evolution had taken place and had then give of its resources to further such development, even the normal growd of this surplus value would have been ample to clear the debt.

Walras agrees with Ricardo, and a kind of rehabilitation of the Ricardian thesis drives him to the conclusion that the future most wintenses a further growth of this surplus value of land—mercy because of the limited quantity of land in existence. There is this difference, however. Whereas Ricardo bases his whole contention upon the validity of the law of diminishing returns, Walras will not even enterian the thought of a possible diminution in the amount of agricultural produce. The inevitable progress of society which leads it on from a purely agricultural stage right up to the industrial-commercial traps, from extensive to intensive cultivation, must result in increasing by a measure of appropriation, and could make a solid contribution to the success of this gigantic undertaking, which is to apply not merely to land, but also to railways and mines, etc.<sup>2</sup>

(c) Numerous and various are the reasons invoked by the advecator of land nationalization. Gossen's ideal is the maximum product, while Walras's first care is to supply the State with all necessary resources. A final class of writers regards it as an excellent opportunity on the basis of ninety-nine years' purchase. There is reason to think tha hardy a buyer would be found who would refuse such an offer coupled with a slight comparison, for ninety-nine years is the equivalent of perpetuity as far as the individual processor.

more of a gift to the proprietor."

"Walras, Ende of Economic socials, p. 368. A mathematical discussion of the theory "Walras, Ende of Economic socials, p. 368. A mathematical discussion of the theory is contained in the Théorie mathematical propriets in continuery language may be found in the article entitled the Economic socials (Ende & Economic socials, pp. 365 st seq.), and it is still more simply summed up in the Proline Ends, pp. 465-467.

\*\*The same considerations would apply in the case of mines, railways, monopoles a "The same considerations would apply in the case of mines, railways, monopoles of every kind, natural and otherwise, where the principle of free competition is to operation or where any surplus value exists."

(Endes d'Écosonis sociale, p. 517, note. Cf. also pp. 374 state.)

of giving everybody access to the soil. It was this ideal of free land that inspired the late Alfred Russel Wallace to write his book Land Nationalization: its Necessity and its Aims, and to inaugurate his campaign in fayour of nationalization in 1802.

Wallace imagined that the mere right of free land would put an end for ever to the worker's dependence upon the goodwill of the capitalist. Nobody would be found willing to work for starvation wages were every one certain that on a free piece of land he would always obtain his daily bread. None would suffer hunger any longer, for the soil, at any rate, would always be there awaiting cultivation. Free access to the land would by itself solve the problem of poverty and want, and this would be by no means one of the least of the benefits of land nationalization.

The essential thing, in his opinion, is to give to every worker the right to possess and to cultivate a portion of the soil. I his proposal is that once nationalization is an accomplished fact every individual at least once in his lifetime should be given the opportunity of choosing a plot of land of from one to five acres in extent wherever he likes on condition that he personally occupies and cultivates it. I

The extremely simple character of the proposal makes it all the more notorious. Unlike the other schemes, it is not based upon any subtle complex economic analysis. But it supplies a most convincing platform theme. Closer scrutiny, however, reveals its almost childish nature.

The cultivation even of the smallest piece of land requires some capital, which the advocates of free land appear to forget altogether. The amount of capital to required may not infrequently be in excess of the modest sum possessed by the working man. They also seem oblivious of the fact that the land does not produce all the year round: there must of necessity be a period of quiescence when the seeds are germinating. And if we are to suppose that the worker has sufficient reserve to wait for the harvest, why not admit at once that he has also enough to tide over a period of unemployment? A few pounds in the bank to which he can have access whenever he likes would certainly be much more serviceable in mid-viniter, say, than a nlot of land

<sup>1</sup> Cf. Escarra, ep. ctt, p 224. See also Laveleye, Le Socialisme contemporain, 8th ed, Appendix I.

Appendix I.

Métin, Le Socialisme en Angleterre, p. 179 (1897).

"The possession of a piece of land frees the workman from dependence upon the

publishment on a guere of a pinn error to a wormain from objectioned upon the mastern publishment of a pinner of the pinner of the publishment of the pinner of the pinner

situated some distance away. Cultivation also requires capacity as well as capital. You cannot improvise the peasant, and a first-das aritisan may be a very indifferent cultivator. The experience of district committees seems to prove this point. The advocates of free land has a mistaken belief in the efficacy of the proposed remedy, and experient would notically show them how difficult it would be to apply it.

## IV: SOCIALIST EXTENSIONS OF THE DOCTRINE OF RENT

The writers who have hitherto engaged our attention were all each them individualists. They had no quarrel with the institution of private property as such, nor were they hostile to the existence of water-capital or to the personal advantage which may acrue from the possession of exceptional talent or ability. The orthodox socialist, or possession of exceptional talent or ability. The orthodox socialist, or possession of exceptional talent or ability. The orthodox socialist, or possession of exceptional talent or ability. The orthodox socialist, or possession of exceptional talent or ability. The orthodox socialist, or possession and the other hand, is distinguished by an aversion to both interest and relative to any special benefit accruing from personal ability if it has the effect of increasing his income beyond the mere remuneration of labour.

Between the two conceptions is a veritable abyss, and the question arises as to whether it can ever be bridged. Some writers confidently reply in the affirmative. It is the easiest thing in the world. Just treat your interest on capital and the revenue derived from exceptional

<sup>8</sup> II we had not decided against the inclusion of the Italian economism, this well have been the place to devote a few works to the writings of Achille Lorin. Note excels him as a writer on political economy. An elaborate uperarring area of the conomism of the achieves the extension of the inclusion of the land, which at least denote as proposed on the condition of the land, which at least denote as profile, translated for the Sur d'Léonnie politique in 1890. We cannot examine Loris system here. Suffice it out of Loris in the land in the Cubicione econome schema (1900) the demand that the law bould serve nite each man's right to the land; either to a unit of land (i.e., a quantity of law only as would be compared to the land; other to a unit of land (i.e., a quantity of law only as would be compared to the land; other to a unit of land (i.e., a quantity of law only as would be compared to the land; other to a unit of land (i.e., a quantity of law only as would be compared to the land; other to a unit of land (i.e., a quantity of law only as would be compared to the land; other to a unit of land (i.e., a quantity of law only as would be compared to the land; other to a unit of land (i.e., a quantity of law law only as would be compared to the land; other to a unit of land (i.e., a quantity of law only as well as a law of law only as well as a law of law only as well as a law of law of law only as well as a law of law of law on the land; of law of law on the land; of law of

falling that, to a fraction of such a unit.

Such is the theoretical solution, but the practical suggestion is somewhat militer.

Such is in the forecritical solution, but the practical suggestion is somewhat militer in give billed of territorial wage being suggested. Every master would be obliged to give bill workmen, in addition to a tainismum wage, a certain amount of loads at the ord of a given number of years. If during that period the workman has seen employed to be a support to the such that the such as the such as the support to the length of size that the law period in this period.

At the end of a certain period every worker would thus become a proprietor. The would thus be in the same position as their primitive ancessor were as far a satural of association of exputs and absolute on a footing of absolute equality, which Signs Loria thought would be a most fruitful type of organization. During the intervery years a certain amount of pressure would have to be put upon the proprietor.



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interests are exclusively intellectual, and who believe that "in the natural philosophy of socialism light is a more important factor than heat!" Such an attitude is hardly conducive to success in a socialist crusade,

but the Fabians have left a deep impression-not so much upon working men, perhaps, as upon members of the bourgeois or middle class. Several of their members were persons of great literary distinction, such as Bernard Shaw, Sidney and Beatrice Webb (later Lord and Lady Passfield), and H. G. Wells. By throwing themselves into the study of social conditions of different kinds, by collaborating in the publication of reviews and newspapers without distinction of party, by publishing pamphlets and calling conferences, they have managed to stimulate interest in their ideas. A résumé of these ideas is given in a curious collection of articles entitled the Fabian Essays, published in 1889. These essays represent the opinions of the more prominent Fabians rather than of the Fabian Society, for the society as such has

only a practical policy, but no theoretical doctrine which it holds in common. It calls itself socialist, and would welcome the transforms tion of individual into collective property. On the other hand, it declares that it has "no distinctive opinions on the marriage question religion, art, abstract economics, historic evolution, currency, or any Other subject than its own special business of practical democracy and socialism."3 The economic theories which immediately interest us

here are peculiar to certain members of the society. The society as a whole was doubtless inspired by these ideas, but they have not all received official recognition at its hands, and they are not even accepted

by some adherents of the school.4 It is Sidney Webb more especially who has essayed the task of find-

ing a new theoretical basis for Fabian collectivism. Maving rejected

1 Report on Fabian Policy. √1 Socialism, as understood by the Fabian Society, means the organization and conduct of the necessary industries of the country, and the appropriation of all forms of economic rent of land and capital by the nation as a whole, through the most suitable public authorities, municipal, provincial, or central. The socialism advocated by the Fabian Society is State socialism exclusively (the term it used to distinguish it from anarchist socialism. On the other hand, it "steadfastly discountenances all schemes for securing to any person, or any group of persons, the entire product of their labour. It recognizes that wealth is social in its origin and must be social is its distribution, since the evolution of industry has made it impossible to dutinguish the particular contribution that each person makes to the common product, or to ascertain its value." (Report on Fabian Polay.)

In addition to the Fabian Essays, the principal publications containing an expension tion of Fabian ideas are the Fabian Tracts, a collection containing a great number of pamphlets on various subjects; The History of Trade Unionion, by Mr and Mrs Webb; Industrial Democracy, particularly chaps, i and iii of the third part, by the same authors and, finally, Problems of Modern Industry (1898), a collection of lectures and article, also by Mr and Mrs Webb.

the Marsian theory of labour-value, and conscious of the charm possessed by the modern theories of Jevons, of Marshall, and the Austrians, he felt the need of some new justification for the collective ownership of the means of production. Menable to free himself from the fascination which Ricardo has always exercised over his fellow-countrymen, he turns to the theory of rent of that great economist, and that theory, in his opinion, is "the very corner-stone of collectivist economy."

It is perfectly obvious that this theory of rent affords ample justification for the appropriation of the revenue of land by proving that this revenue is purely supplementary, produced as it is only on the best lands and not on the worst, where the worker only produces the exact equivalent of his wages. There is nothing very new in this, however.

Equally valid is its justification of confuscated interest. Different kinds of capital, different machines, implements, and buildings, all of which are employed for purposes of production, show the same variety of quality, and consequently produce different quantities of material goods, just as different lands do. The employee who works with marginal capital, if we may so put it, or, in other words, has to make shift with the minimum of looks and machinery, without which no work at all would be possible, barely produces the equivalent of his wages. Everything that executed this minimum may be claimed by the capitalist as payment for the superior yield of the capital which has supplied. Interest, accordingly, is a differential revenue—a rent which ought to be expressed as a definite quantity of produce, for such it really is, and not as so much ere cent.

Finally, any who possess superior ability as compared with those who work not merely with a minimum of capital and labour, but with a minimum of intelligence and ability, produce a surplus, which they generally retain for themselves. This surplus is of the nature of a differential rent—the rent of ability. Generally it is the result of the better education received by the children of proprietors and capitalists, and it is thus the indirect outcome of private property.<sup>3</sup>

And and Mrs Webb in their History of Trade Unionum reject "that confident sciolum and prejudice which has led generations of socialists to borrow from Adam Smith and the 'classic' economists the errorowous theory that labour in by itself the creator of Value without going on to master that impregnable and more difficult law of economic "ertwitch to the very corner-stone of collection its economy."

a "The interest with which we are concerned must clearly be a definable quantity of produce." (The National Dividend and its Distribution, in Problems of Medern Industry, p. 22). We are indebted to this article for the exposition which we have given of the Fabian destrone.)

An exposition of the same theory is given in Tract No. 15, English Progress towards Social Domocrap: "The individuals or classes who possess social power have at all 2Q.

(This ingenious argument is not very convincing. Even though we admit that interest and possibly the greater portion of wages may only be differential revenues, their confiscation would require special justification. The attributes of capital, unlike those of land as defined in the Ricardian theory, are not natural, but have been conferred upon it by the efforts of human beings. And as to the rent of ability, it still remains to be seen whether society would benefit by the confication of this rent. As a scientific explanation of distribution it does not seem to us a particularly attractive one. The distribution of incomes is effected by means of exchange and depends upon prices, but Webb makes an abstraction of prices in order to concentrate upon the material product. We do not deny the existence of rent derived from fixed capital, such rent being approximately measured by comparisor with the current rate of interest. But after the labours of Bohm-Bawerk and Fisher it would seem impossible to explain this rate itself by reference to the material productivity of capital, which seems to be the essence of Webb's theory.

The latest attempt to deduce revolutionary conclusions from the older economics and to found a theory of collectivism upon the Ricardian doctune of rent has proved a failure. Even Webb friends have not shown the enthusiam for it that they might—and this despite the constant allusion to the "three monopolies" which one meets with in their writtens.

The interest of the experiment lies not so much in fielf as in the indication which it affords of the more recent trend of thought in this matter. We have already drawn attention to the fact in that the more immediate disciples of Marx both in France and Germany have refull is theory of value, showing a disposition to rally to the counter-theory of final utility. We have here a group of English socialists undergoing a somewhat similar process of evolution. On every hind it seems that socialism has given up all precision to creating a working men political economy alongude of the hourgoots, and it is now generally exceptived that there can only be one political economy alongude of the lourgoots, and the time of the control of the co

States, commander or uncome county, made use of that prover in such a way at hieracome, commander or uncome county, made use of that prover in such a way at hieramentary associated from this way to be a standard. The attributes product, dress mands by the orbital or the current or productive officiary of the different size, wit, exclude, and form at dual above the narron of collisions, has good to these certainly cointed over these vanishing that wave product use factors. The structe is never to surplus or "encount. early at the two to the scale that they of the scale and that yet of the scale that they of the scale and that yet of the scale and the scale and the scale of the scale

hermort Scare to the Emmine Bills of Inclining, published is the Fibra Lags, a very most distriction between microst perspectly is called and moments and

altogether of all parties and social ideals, whose sole function is to give

The Fabians even outdo the syndicalists in their reaction against the Marxian theories. Not only is the theory of value thrown overboard, but Marx's whole social doctrine is rejected as well. There are two points on which the opposition is particularly marked, and although these may be outside the scope of the present chapter it is necessary to mention them in order to complete our exposition of Fabian ideas.

Marx's social doctrine was built upon the theory of class war. Socialism was simply the creed of the proletarian. Its triumph would mean the victory of the proletariat over the bourgeoisie. Its principles are the direct antithesis of those which govern society at the present time, just as the two classes are directly opposed to one another. The Fabians entertain no such views. They think of socialism as a mere extension of the ideals of bourgeous democracy, and they would be quite content with a logical development and application of the principles which at present govern society. "The economic side of the democratic ideal is, in fact, socialism stself," writes Sidney Webb.1 Our object should not be to replace the bourgeois supremacy by the proletarian ascendancy, nor even to emancipate the worker from the tyranny of the wage system (for under the socialist regime, as the Fabians point out, everybody will be a wage-earner), but merely to organize industry in the interest of the community as a whole. "We do not desire to see the mines and the profits from the mines transferred to the miners, but to the community as a whole "Socialism is not a class doctrine, but a philosophy of general interest." "Socialism is a plan for securing equal rights and opportunities for all." Webb questions the existence of an English class struggle in the Marxian sense of the word. On the contrary; "In view of the fact that the socialist movement has been hutherto inspired, instructed, and led by members of the middle class or bourgeoisie, the Fabian Society protests against the absurdity of socialists denouncing the very class from which socialism has sprung as specially hostile to it " One cannot see much similarity between this point of view and that of the Errnch syndicalists \$

<sup>1</sup> Februar Essert, p. 35.

Secolare Tree and False (Tract No. 51)

<sup>4</sup> Ward Sendine is (Tract No. 13).
4 In his perface to Kurella's German book Sendiness is Explicit (18)(8) be mentioned the fact that the Taclab working class is divided into a number of corporations who are either justices of or musindential one another, but have not what we may properly call a class consciousnes (p. 10).

Report se Falses Palay, p. 7.

The Fabian philosophy of history is equally distinct. For Marx the capital fact in nineteenth-century history is the concentration of property in the hands of a privileged few, and the consequent parperization of the masses. The necessary consequence of this twofold development will be the revolutionary dispossession of the former by the latter.

Optimistic as they are, the Fabians are not prepared to deny the concentration of capital. According to their view, the prime fact in intercent-century history is not the serviting of the masses, but the waning authority of the capitalists, the growing importance of collective government in national economy, and the gradual dispossession of the idlers for the sake of the workers, a process that is already well on the way towards consummation. Webb is of the opinion that socialism is being realized without any conflict, and even with the tacit approval of its victims.

Slice after slice has gradually been cut from the profits of capital, and therefore from its selling value, by socially beneficial restrictions on its user's liberty to do as he liked with it. Slice after slice has been cut off the incomes from rent and interest by the gradual shifting of taxation from consumers to persons enjoying incomes above the average of the kingdom. . . . To-day almost every conceivable trade is, somewhere or other, carried on by parish, municipality, or the national Government itself without the intervention of any middleman or capitalist. . . . The community furnishes and maintains its own museums, parks, art galleries, libraries, concert halls, roads, streets, bridges, markets, slaughter-houses, fire-engines, lighthouses, pilots, ferries, surf-boats, steam-tugs, lifeboats, cemeteries, public baths, washhouses, pounds, harbours, piers, whanes, hospitals, dispensaries, gasworks, waterworks, tramways, telegraph cables, allotments, cow meadows, artisans' dwellings, schools, churches, and reading-rooms

And even where private industry is allowed to survive it is rigorously supervised and inspected.

The State in most of the larger industrial operations prescribe the age of the worker, the hours of work, the amount of sir, light, cubic space, heat, lavatory accommendation, holidays, and meatimers where, when, and how wages shall be paid; how machiner, staircases, likh-holes, mines, and quarries are to be fenced and guarded; how and when the plant shall be cleaned, repaired, and worked. On on every side the individual capitality is being retiredered, inspected, controlled, and eventually superseded by the community.

We are already in the full current of socialism, declares Mr Webb.

Our legislators are socialists without knowing it. "The economic history of the century is an almost continuous record of the progress of socialism." The Fabians, adopting a saying of the Saint-Simonians, point out to the socialists that they ought to be content with a clear exposition of the evolution of which every one knows something, although perhaps in a hazy fashion. "Instead of unconscious factors we become deliberate agents either to aid or resist the developments comine to our notice."

We are some distance away from Marx here, and farther still from windicalist disciples. We have really been led back to the philosophy of history as it was interpreted by the German State Socialists. Must we, then, conclude that the Fabians are State Socialists who feign ignorance of the fact?

Fabian socialism, strictly speaking, is not a new scientific doctrine. It is rather a plea for economic centralization, an idea begotten of the modern conditions of existence in Europe, as against orthodox Liberalism, which is somewhat threadbare but still holds an honourable place in the opinion of many English writers. This tendency towards centralization has tended to become stronger. The industrial nationalizations carried out in many countries after the Second World War are proof of this. They are the outcome of a long evolution.

Engluh politics even long before this had begun to shake off its individualism and to rid itself of the philosophic and political doctrines of the utilitarian Radicals, which Bentham and his friends had formulated early in the nineteenth century, and which still exercise a considerable influence over some people. The Fabians regard themselves as the special protagonists of the new standpoint. They would be proud to consider themselves the intellectual successors of the utilitarian Radicals, who simply claim to express the new desires of a great industrial democracy. Labour legislation and its many ramifications, municipal socialism spontaneously developing in all the big towns, the great cooperative 'wholesales' in Glasgow and Manchester, furnish perusaive illustration of the practical socialism which they advocate. "It is not," writes fars Sidney Webb.

the socialism of foreign manufacture which cries for a Utopia of anarchy to be brought about by a murderous revolution, but the distinctively English socialism, the socialism which discovers itself

A Felins Elitay, p. 3;

S Sidney Webs, The Diffeation of Individuality, in Problems of Modern Industry,
Also in the Fables Elizay, p. 35, he declares, "Sociality as well as individuality returns
that important organic the argument on only by (1) democrate. . .; (0) gradual . . .;
(2) not regarded as immost only and asset of the people, and (4) in this country, at MY 74E, Consolutional and regarded."

in works and not in words, the socialism that has silently embodic itself in the Factory Acts, the Truck Acts, Employers' Liability Acts Public Health Acts, Artisans' Dwellings Acts, Education Acts-lial that mass of beneficent legislation forcing the individual into the service and under the protection of the State.<sup>3</sup>

The Fabian doctrine is the latest availar of the Ricardian theory. I would really seem impossible to draw any further conclusions from it. Everything that could possibly be attempted in that direction has already been done, although other weapons of war forged against the institution of private property may yet come out of that old armony. But that is hardly probable, especially when we remember that economic science no longer regards rent as a kind of anomaly amid the other economic phenomena. There is no doubt at to its reality, but it has been deprived of much of the social importance that wa attributed to it by Ricardo and his followers, and it has consequently

lost much of its revolutionary fecundity. Frent fulnute 3/1/3,

### CHAPTER V: THE ANARCHISTS

THE social creed of the anarchist is a curious fusion of Liberal and socialist doctrines. Its economic criticism of the State, its enduaism for individual initiative, as well as its conception of a sponsarous economic order, are features which it owes to Liberalism; while in hatred of private property and its theory of exploitation represent is borrowings from socialism.

Doctrinal fusions of this kind which seek to combine two extrust

standpoints not infrequently outdo them both. Damoyer, for example, was the extremest of Liberals, but he took great care to remind his readers of at least one function which none but the State could perform: no other authority, he thought, could ever undertake to provide security. True bourgeois of 1830 that he was, Damoyer always considered that 'order' was a prime social necessity. But, armed with the criticism of the socialists, the anarchists soon get rid of this lat vestige of the State's prerogative. In their opinion the security of which Dumoyer spoke merely meant the security of proprietor; tendri is only necessary for the defence of the possesson against the attack of

B. Ponter (Mrs Sidney Webb), The Co-operative Sistement, p. 16.
 See his article on Government in the Dichemore of Coquelin and Guilland

the non-possessors. The socialists themselves (with the exception of Fourier, perhaps, whom the anarchists claim as one of themselves), however opposed to private property, were exceedingly anxious to retain considerable powers in the hands of the State, such as the superintendence of social production, for example. Armed this time with the criticism of the Liberal school, the anarchists experience no difficulty in demonstrating the economic and administrative incapacity of the State. "Liberty without socialism means privilege, and socialism without liberty means slavery and brutality"—so writee Bakunin."

It is only fitting that a few pages at this stage of the book should be devoted to a doctrine that attempts to fuse the two great social currents that strove so valiantly for the upper hand in nineteenth-century history.

It is not our first acquaintance with anarchy, however. It has already been given a "local habitation and a name" by Proudhon, see who is the real father of modern anarchism. This does not imply that similar doctrines may not be discovered in writings of a still earlier dota, as in Godwin's, for example. But such writes remained solitary exceptions, while the links connecting the anarchical teaching of Proudhon with the political and social anarchy of the last thirty years are easily traced. Not only is the similarity of ideas very striking, but their transmission from Proudhon to Bakunin, and thence to Kropotkin, Reclus, and Jean Grave, is by on means difficult to follow.

Alonguide of the political and social anarchism which form the principal subject of this chapter there is also the phulosophical and literary anarchism, whose predominant characteristic is an almost insane exaltation of the individual. The best-known representative of this school, which hails from Germany, is Max Stirner, whose book entitled Dre Eirstje and sris Eigenstom appeared in 1844.<sup>2</sup> The work was forgoatten for a long time, although it enjoyed a straking success when it first appeared, and was bitterly criticized by Marx. Later when Nietzsche was beginning to win that literary renown which is so

<sup>1 (</sup>Eurres, Vol. I, p. 59 (Fédéralume, Socialume, et Antithéologisme)

Adler in his article Associations in the Handwörterbuch der Stantunssenschaften, and in his Guchichte der Sozialiumus und Kommuniums (1899), shows the indebtedness of the anarchist ideal to Greek philosophy.

normeral able his today, it was seen that in Stiener he had a procure, although Stiener's works probably remained quite unknown to Netten be Stiener's works probably remained rough pathocomer fame as the exclient promordial. A few words only are necessary to show the difference between his doctrines and those of Proudfon Balantin, and Krecostini.

### I- STIRNER'S PHILOSOPHICAL ANARCHISM AND THE CULT OF THE INDIVIDUAL

Stirper's book was written as the result of a wager. The name of the currentances and the character of the epoch that gave birth to it were chiefly these. Stirner was a member of a group of young German Radicals and democrats whom Bruno Bauer had eathered round him in 1840. They drew their inspiration from Feuerbach, and accepted the more extreme views of the Hegelian philosophy. Their ideal was the absolute freedom of the human spirit, and in the sacred name of liberty they criticized everything that seemed in any way opposed to this ideal, whether nascent communism, docmatic Christianity, or absolute government. The intellectual leaders of the German Revolution of 1848 were drawn from this group, but they were soon swept aside in the reaction of 1850. A few of them who were in the habit of meeting regularly in one of the Berlin restaurants assumed the name die Freien. Marx and Engels occasionally joined them, but soon left in disgust. A joint pamphlet by them, which bears the ironical title of 'The Holy Family, is supposed to refer to Bauer and his friends. A few of the German Liberal economists, including Julius Faucher among others, paid occasional visits to the Hippel Restaurant. Max Stirner, who was one of the most faithful members and a most attentive listener, although it does not seem that he contributed much to the discussion, conceived the idea of preparing a surprise for his friends in the form of a book in which he attempted to prove that the criticism of the supercritics was itself in need of criticism.

The extreme Radicals who formed the majority of the group were still very strongly attached to a number of abstract ideas which to Stirner seemed little better than phantons. Humanity, Society, the

<sup>&</sup>lt;sup>1</sup> Some may perhaps wonder why Nictseche is not included, especially as lex as a successor of Stimer's. But Nictsche's interests were always exclusively philosophical and ethical. Stimer's work, on the other hand, is mainly social and political. It which were not not that explain the other hand, is mainly social and political. It with ecromone, and a detailed study of it would be more in begruing with a hierory of political ideas. Nictsselv's work would lead us still further afield, and would fore us to examine every individualities doering as it cropped up.

Pure, and the Good seemed so many extravagant abstractions; so many fetishes made with hands before whom men bow the knee and show as much reverence as ever the faithful have shown towards their God. Such abstractions, it seemed to him, possess about as much reality as the gods of Olympus or the ghosts that people the imagination of childhood. The only reality we know is the individual; there is no other. Every individual constitutes an independent original force, its only law its own personal interest, and the only limit to his development consists in whatever threatens that interest or weakens its force. Every man has a right to say, "I want to become all that it is within my power to become, and to have everything I am entitled to."1 Rastiat had already expressed it as his opinion that there could be no conflict of legitimate rights, and Stirner declares that "every interest is legitimate provided only it is possible." "The crouching tiger is within his rights when he springs at me; but so am I when I resist his attacks." "Might is right, and there is no right without might."

Granting that the individual is the only reality, all those collective unities that go by the name of the family, the State, society, or the nation, and all of which tend to limit his individually by making the individual subservient to themselves, at once become meaningless. They are devoid of substance and reality. \* Whatever authority they possess has been ascribed to them by the individual. Mere creatures of the imagination, they lose every right as soon as I cease to recognize them, and it is only then that I become a really free main.

I have a right to overthrow every authority, whether of Jenu, Jehovah, or God, if I can. I have a right to commit a runder if I with it—that is to say, unless I shun a crime as I would a disease. I decide the limits of my rights, for outside the ego there is nothing. It may be that that nothing belongs to no one else; but that us some body else's affair, not mine. Self-defence is their own look-out.

The workers who complain of exploitation, the poor who are deprived of all property, have just one thing which they must do. They must recognize the right to property as inherent in themselves and take as much of it as they want.

Der Einzige und sein Eigenthum (ed. Reklam), p. 154.
\* This man has a body, and so has this man, and that man, right through society,

consequences are often palpable enough.

\* Ibid., p. 222.

The egoist's method of solving the problem of poverty is not say to the poor, "Just wait patiently until a board of quardizars has give you something in the name of the community," but "Let ye hands upon anything you want and take that." The earth below to him who knows how to get hold of it, and having got hold of knows how to get hold of it, and having got hold of knows how to keep ji. If he seems to not only has he the land, be he has the right to it as well."

But what kind of a society would we have under such conditions le would simply be a 'Union of Egos,' each secking his own and join ing the association merely with a view to greater personal assisfaction Present-day society dominates over the individual, making him is too The 'Union of Egos'—for we cannot call it a society—would be simply a tool in the hand of the individual. No scruples would be fell by any one leaving the union if he thought something was to be gained by such withdrawal. Every individual would just say to his neighbour, "I am not anxious to recognize you or to show you any respect is simply want you to be of some service to me." It would be a case of bellium omnium contra owners, with occasional precarious alliances. But is would at least mean liberty for all. Such strange, paradoxical doctrines are irrefutable if we accept.

Such strange, paradoxical doctrines are irrefutable if we acept Stirner's postulates. But we must reject his whole point of view and dispute the stress laid upon the individual as the only reality, as well a his denial of the reality of society. Granting that the individual is the only reality, then society and the nation are mere abstractions created by man and removable at his pleasure. But that is just the mistake. The individual has no existence apart from society, nor has he any great degree of reality. He is simply an element, not a separate entity. He existence or non-existence does not depend upon himself. Nor is society merely an idea. It is a natural fact. The individual may be quite appropriately described as an abstraction or a mere phantom.

appropriately described as an abstraction or a meter paintonii. The fundamental difference between Stirner and the other anarchio who will engage our attention is just this recognition of the reality of the social fact which Stirner denies in tate. It also marks the cleavage between literary and political anarchism?

Octween interary ann pointent anarchism.\* 

1 De Europ sed me Regoulus, p. 23.

1 In a pamphier called Let Numeue Adjects de Secialius (Pairi, 1908), witten by it a pamphier called Let Numeue Adjects de Secialius (Pairi, 1908), witten by it and the second letter of the second lette

# II: SOCIAL AND POLITICAL ANARCHISM AND THE CRITICISM OF AUTHORITY

Stirner spent his life between his study and the Hippel Restaurant, the rendezvous of his friends. Bakunin and Kropotkin were men of a different stamp, who risked their freedom, and even their lives, for the sake of the cause which they had at heart. It is true that the seed sown in the mind of the ignorant as the result of their teaching often had most deplorable results, but no one can deny the quality of courage to either Kropotkin or Reclus, or withhold from them the title of greatness of both mind and character.

Bakunin was reared in much the same intellectual atmosphere as Stirner,1 By birth he belonged to the Russian nobility, and spent the earliest years of his life in the Russian army. In 1834, at the age of twenty, he resigned his commission in order to devote himself to the study of philosophy, and, like Proudhon, Stirner, and Marx, he came under the universal spell of Hegel. In 1840 he proceeded to Berlin, where he became acquainted with the school of young Radicals of whom we have already spoken. From 1844 to 1847 we find him in Paris, where he used to spend whole nights in discussion with Proudhon. Proudhon's influence upon him is very marked, and one constantly meets with passages in the writings of the Russian anarchist which are nothing but paraphrases of ideas already put forward by Proudhon in the Idie senerale de la Révolution au XIX' siècle. The year 18:18 revealed to the dilettante nobleman his true vocation, which he conceived to be that of a revolutionary. He successively took part in the risings at Prague and in the Saxon Revolution at Dresden. He was arrested and twice condemned to death, in Saxony and again in Austria, but was finally handed over to the Russian authorities, who imprisoned him in the fortress of St Peter and St Paul, where an attack of scurvy caused him to lose all his teeth. He was exiled to Siberia in 1857, but managed to escape in 1861. Making his way to London, he undertook the direction of a vicorous revolutionary campaign, which was carned on in Switzerland, Italy, and France. During the years 1870 and 1871

<sup>4</sup> See Bakumin J. Idi, written by his friend James Guillaume, included in the recoverage edition of his works; or the motion of him prefaced by Dregonanova to his volume edition of his works; or the motion of him principal of Joseph Stutters, 1983. A fairly fill languagely was under the Pertilian, been published; a copy of Stutters, 1983. A fairly fail languagely was under the Pertilian of the properties of the propertie

he successfully planned a popular rising at Lyons. Bernard Lazare has graphically described him as

a hirsute giant with an enormous head which seems larger than it really is because of the mass of bouthy shier and untrimmed beard which surrounds it. He always sleeps rough, has no roof above him, and no homeland which he can call his own, and like an apostle is always prepared to set out on his sacred mission at any hour of the night or day.

The most striking fact in his history was his rupture with Karl Marx at the last International Congress, held at The Hague in 1872. Bakunin joined the International in 1869. Disgusted with the pontifical tendencies of the General Council, which was entirely under the hed of Marx, he proposed a scheme of federal organization under which each section would be left with considerable autonomy. The Jura Federation supported his proposals, and so did several of the French, Belgian, and Spanish delegates, as well as all the Italian. But he was expelled from the International by Marx's own friends. The official rupture between Marxian socialism and anarchy, grown to considerable proportions since, dates from that very moment. That Hague congress marks also the end of the International. Marx soon afterwards transferred the centre of the administration to the United States, and no conference was held afterwards. Bakunin also retired from the struggle about the same time, but not before he had set up a new association at Geneva, composed of a few faithful friends. In 1876 Bakunin died at Berne.

It was in the region of the Jura, in the neighbourhood of Neuchaid; it is a large to the same of the same of the extremely individualistic but somewhat mystical population of those parts, that Kropotkin in the course of a short stay in the district in 1672 insibled those anarchist ideas to the propagation of which he so strenously devoted his life. Although personally unacquainted with Bakunis, Kropotkin must be regarded as his direct descendant.

3 "I returned from that journey with very definite sociological theories in mind which I have ever more chrumhed, and I have done everything I can to five them a more clear and a more concrete expression," Kropotkin's principal voits are Fended with Refuel (1983). In Roman and Frond Frond (1987): It Compared (1986) to the Compared (1986) to t

1.

Prince Kropotkin also was a Russian aristocrat, and he, like his master, joined the army after a short period of study. He attracted public notice first of all as the author of several remarkable works dealing with natural history and geography, which showed him to be a confirmed disciple of Darwin. But science was by no means his only interest. By 1871 Hegelian influence was on the wane in Russia. and the more thoughtful of the younger generation turned their attention to democracy. The new watchword was, "Go, seek the people, live among them, educate them and win their confidence if you want to get rid of the yoke of autocracy." Kropotkin caught the inspiration. He himself has told us how one evening after dinner at the Winter Palace he drove off in a cab, took off his fine clothes, and, putting on a cotton shirt instead of his silk one, and boots such as the peasants wore, burried away to another quarter of the city and joined a number of working men whom he was trying to educate. But his propaganda proved short-lived, for one evening when he was leaving the headquarters of the Geographical Society, where he had just been reading a paper and had been offered the presidency of one of the sections, he was arrested on a charge of political conspiracy and imprisoned in the fortress of St Peter and St Paul. He managed to escape in 1876, and found refuse in England. Afterwards he was wrongfully condemned to three years' imprisonment at Clairvaux on account of his supposed complicity in an anarchist outbreak which took place at Lyons in 1884. But there was something extraordinary about a prisoner who could get the libraries of Ernest Renan and the Paris Academy of Sciences placed at his disposal during his term of imprisonment to enable him to pursue his scientific investigations. During his previous imprisonment in Russia the Geographical Society of St Petersburg had extended him a similar privilege. Afterwards Kropotkin lived in England, which he left after the Bolshevik Revolution to return to his country.

The best-known French anarchists, Élisée Reclus, the geographer, and Jean Grave, simply reproduce Kropotkin's ideas, with an occasional admixture of Bakunin's or Proudhon's 1

Our concern is with the expression of anarchist ideas as we find them in the best-known writers of the school. Consequently we must pass over the very striking but immature formulæ which are not infrequently to be met with in the works of more obscure writers?

<sup>&</sup>lt;sup>1</sup> Cf. L'Évolution, la résolution, et l'adéal anarchique, by Élisée Reclus (Paris, 1898), and La Sociét future, by Jean Grave (1895).

<sup>\*</sup> On the position of anarchist ideas in France at that time see R. de Marmande, Las Forces résolutionnaires en France, in the Grande Rerue, August 10, 1911.

Here again the distinguishing features are the emphasis laid upon individual rights and a passion for the free and full development of personality, which, as we have seen, was the keynote of Stirner's system. "Obedience means abdication," declares Élisée Reclus.1 "Mankind's subjection will continue just so long as it is tolerated. I am ashamed of my fellow-men," writes Proudhon in 1850 from his prison at Doullens.\* "My liberty," says Bakunin, "or what comes to the same thing, my honour as a man, consists in obeying no other individual and in performing only just those acts that earry conviction to me." Iean Grave declares that society can impose "no limitations upon the individual save such as are derived from the natural conditions under which he lives."4

But this cult of the individual which is present everywhere in anarchist literature rests upon a conception which is the direct antithesis of Stirner's. To Stirner every man was a unique being whose will was his only law. The anarchists who follow Proudhon, on the other hand, regard man as a specimen of humanity, i.e., of some thing superior to the individual. "What I respect in my neighbour is his manhood,"5 wrote Proudhon. It is this humanity or manhood that the anarchist would have us respect by respecting his liberty, for, as Bakunin declares, "liberty is the supreme aim of all human development." It is not the triumph of the egoist but the triumph of humanity in the individual that the anarchists would seek, and so they claim liberty not merely for themselves but for all men. Far from wishing to be served by their fellow-men, as Stirner desired, they want equal respect shown for human dignity wherever found. "Treat others 25 you would that others should treat you under similar circumstances," writes Kropotkin, employing Kantian and even Christian phraseology. Bakunin, a faithful disciple of Proudhon's, considered that "all morality is founded on human respect, that is to say, upon the recognition of the humanity, of the human rights and worth in all men, of

<sup>1</sup> L'Évolution, la révolution, et l'idéal anarchique, p. 88; and he adds: "Our ideal implies the fullest and most absolute liberty of expression of opinion on all matters whatsoever. It further involves complete freedom to follow one's own inclinations or to do as one likes" (p. 143), with this single proviso: "that the individual is thereby

developing a healthy moral life" (p. 141).

2 Extract from Carnets, published in La Figure, January 16, 1909.

<sup>2 (</sup>Eures, Vol. I, p. 281. Jean Grave, La Social Janos, p. 157. Cf. also p. 199: "No individual must accept any restriction that will check his development, nor must be submit to the yoke of authority under any pretence whatsoever."

I Justice dars la Révolution, Vol. I, p. 185.

Bakunin, Gares, Vol. I, p. 105.

Quoted by Elizbacher, et. cit., p. 100.

whatever race or colour, degree of intellectual or moral development";1 and he adds that

the individual can only become free when every other individual is free. Liberty in ot an isolated fact. It is the outcome of mutual goodwill; a principle not of exclusion, but of inclusion, the liberty of each individual being simply the reflection of his humanity or of his rights as a human being in the conscience of every free man, his brother and equal.\*

This idea of humanity, which the latest anarchists owe to Proudhon, is not simply foreign to Stirner, but is just one of those phantoms which Stirner was particularly anxious to waylay.

which stirrer was particularly anatous to wayaly."
Along with this extravagant worship of individual liberty goes a
hatred of all authority. Here the political anarchists join hands with
Stirner. For the exercise of authority of one man over another means
the exploitation of one man by another and a denial of his humanity
The State is the summation of all authority, and the full force of
anarchist hatred is focused upon the State. No human relation is too
sacred for State intervention, no citizen but is lable to have his conduct minutely prescribed by law. There are officers to apply the law,
armies to enforce it, lecturers to interpret it, priests to inculate respect
for it, and jurists to expound it and to justify everybody. Thus has
the State become the agent par excellutes of all exploitation and oppression. It is the one adversary, in the opinion of every anarchist—"the
sum total of all that negates the laberty of its member." "It is
grave where every trace of individuality is sacrificed and buried."

"It is the grave where every trace of individuality is sacrificed and buried."

<sup>1</sup> Bakunin, Œures, Vol. I, p. 281. "I can be really free when those around me, both men and women, are also free. The liberty of others, far from lumting or negating my own, is, on the contrary, its necessary condition and rearantee"

\* Ibid , Vol. I, p. 277.

The idea of respecting man's humanity is vigorously criticated by Stirner. Proudion is expressly mentioned as the chief representative of that view. The principle was slav regarded with some favour by Fuerbach, who wanted to substitute emphasis upon the human in man for the stress generally laid upon the divine in his nature.

<sup>4</sup> Prosulhon is the model here. "To be governed," says he (*ldit ghotala is the Redsia*), "Is observery deed of ours, every action and movement, sotted, registred, reviewed, dockerds, measured, life, assessed, gataxateed, licensed, and control of the contro

Bakunin, Œuver, Vol. I, pp. 143, 227, 151.

this matter as well as in many others is a follower of Bariut, speaks of it as "the simble ine envision of infusived force." That is enough to keled is for even with the evolutions of life, for the aim of humany is liberty, but force in "a permanent negation of liberty."

A reversey agent of opposition, government always and inevitable between the agent of cortuption. It contaminates everything the conversator runt act with u, and the first to show ngas of such contamination are 11 own representatives.

The lest man, wheever that may be, whatever degree of incligence, magnacimity, and purity of heart he may have, is unaved ably orthogeted by his trade. The person who enjoys any printing whether political or economic, is intellectually and morally in deprayed character.

So Bahanin thought," and Flore Reclus writes in a similar strain "Exert tree in nature bears its own proubar fruit, and government whatever be the form it take, always results in caprice or tyranny, in misrry, villainy, murder, and evil."3 The governing classes are inevitably democraticed, but so are the governed, and for just the same reasons. Government is a worker of evil even when it would do good for "the good whenever it is enjouned becomes evil. Liberty, morally, real human dignity consists in this, that man should do what is good not because he is told to do it, but simply because he thinks that it really is the best that he can ever with or detire."

It matters little what form government takes. Absolute or constitutional monarchy, democratic or aristocratic republicanism, government on the basis of a unsversal or a restricted suffrage, are all much the same, for they all presuppose a State of some sort. Authority, whether of a despot or of the majority of the community, is not the less authority, and implies the exercise of a will other than the independent of the past has been this: one government has been turned out, but only to have its place susurped by another. The only true revolution will be that which will get rid of government itself—the fount and origin of all authority.

an autority.

Still closer scrutiny reveals the interesting fact that the State, which
is naturally oppressive, gradually becomes employed as the instrument
for the subjugation of the weak by the strong, the poor by the richlt was Adam Smith who ventured to declare that "civil government
... is in reality instituted for the defence of the rich against the poor,
or of those who have some property against those who have none at

Bakunin, Œurres, Vol. I, p. 228.

Bid., Vol. I, p. 176; Vol. II, p. 55

L'Évolution, la révolution, et l'utila anarchiste, p. 164.

Bakunin, Vol. I, p. 280.

all."1 Pages of anarchist literature simply consist of elaborate paraphrases of this remark of Smith's

Kropotkin thinks that every law must belong to one or other of three categories. To the first category belong all laws concerned with the security of the individual; to the second all laws concerned with the protection of government; and to the third all those enactments where the chief object in view is the inviolability of private property.2 In the opinion of the anarchist, all laws might more correctly be placed under the last category only, for whenever the safety of the individual is in any way threatened it is generally the result of some inequality of fortune.3 Indirectly, that is to say, the attack is directed against property. The real function of government is to defend property, and every law which is instrumental in protecting property is also effective in shielding the institution of government from attack.

Property itself is an organization which enables a small minority of proprietors to exploit and to hold in perpetual slavery the masses of the people. In this instance the anarchists have not made any weighty contribution of their own, but have merely adopted the criticisms of the socialists.4 Proceeding in the usual fashion, they point to the

Weelth of Nations, Vol. II, p. 207. Cf. norse, p. 95, footnote. Adam Smith, it is true, did write that "civil government, so far as it is instituted for the security of property," etc.; but that does not imply that the great economist regarded this as the only object of government, although it certainly is one of its chief aims.

"The million and one laws that govern humanity naturally fall into one or other of three categories: laws for the protection of property, of government, or of individuals. If we take these three divisions and analyse them we are inevitably forced to realize how futile and even injurious all legulation is" (Memoirs of a Recolutionist, p. 235.)

Society itself is every day creating beings imbued with anti-social feelings and incapable of leading honest, industrious lives." (Kropotkin, quoted by Eltzbacher, op. cit, p. 221 ) "Seeing that the organization of society is always and everywhere the one cause of all the enmes committed by men, its conduct in punishing criminals is clearly absurd or obviously insurcere. Every punuhment implies guilt, but the criminals in this case are never guilty. We deny the so-called right of society to bestow punishment in this arbitrary fashion. A human being is simply the unwilling product of the natural or social environment in which he was born and reared and under whose influence he still remains. The three great causes of human immorality are inequality, whether political, economic, or social; ignorance, which is its natural result; and slavery, its inevitable consequence." (Bakunin, Pregramme de l'Alliance

internationale de la Démocratte socialiste, in Sazial-politischer Briefwechsel, pp 332-333.) "Property and want are the great incentives to crime. But if defective society

organization is the cause of crime, an improvement in organization should cause a

duappearance of crime" (Jean Grave, Le Social Jahre, pp. 137-138.)

4"Is it necessary," sels Bakunin, "to repeat the arguments of socialism, which are still unanswerable and which no bourgeois economist has ever attempted to disprove? What are we to make of property and capital as they exist at the present moment? In both cases it practically means a right or a power guaranteed and protected by society to live without working; and since property and capital produce absolutely nothing unless fertilized by labour it means power and the right to live

miserable wages which are usually paid to the workers, and show how the masters always manage to reserve all the leisure, all the joys of existence, all the culture and other benefits of civilization for themselves. Private property is of the essence of privilege-the parent of every other kind of privilege. And the State becomes simply the bulwark of privilege. "Exploitation and government," says Bakunin, "are correlative terms indispensable to political life of every kind. Exploitation supplies the means as well as the foundation upon which government is raised, and the aim which it follows, which is merely to legalize and defend further exploitation."1 "Experience teaches us," says Proudhon,2 "that government everywhere, however popular at first, has always been on the side of the rich and the educated as

against the poor and ignorant masses."3 Whether the extinction of private property, which would free the worker from the danger of being exploited by the rich, would also render the State unnecessary is a question upon which the anarchists are not agreed. Proudhon, we remember, hoped by means of the Exchange Bank to reduce the right of property to mere possession. Bakunin, on the contrary, was under the spell of the Marxians, and, like a true collectivist, he thought that all the instruments of production, including land, should be possessed by the community. Such instruments should always be at the disposal of groups of working men expert in the details of agriculture or industrial production, and such workers should be paid according to their labour. Kropotkin, on the other hand, regarded communism as the ideal and looked upon the distinction drawn by the collectivist between instruments of production and objects of consumption as utterly futile. Food, clothing, and fuel were quite as necessary for production as machinery or tools, and nothing was gained by emphasizing the distinction between them. Social resources of every kind should be freely placed at the disposal of the workers.5

upon the labour of others and to exploit the labour of those who have neither properly nor capital and are compelled to sell their productive force to the fortunate owner of the one or other of these." Cf. Kropotkin's Conquest of Bread, p. 56: "Multiply examples choose them where you will, counder the origin of all fortunes, large or small, whether arising out of commerce, finance, manufactures, or the land. Everywhere you will find that the wealth of the wealthy springs from the poverty of the poor." In tha sentence he sums up a long demonstration which he gives in proof of this contention.

Bakunin, Œueres, Vol. I. p. 324

Ille gintrale de la Rivolution, p. 119. a "Law is sumply an instrument invented for the maintenance of exploitation and

the domination of the alle rich over the toiling masses. Its sole mission is the perpetua-

tion of exploitation." (Kropotkin, Memoirs of a Resolutionist, p. 235.) Bakunin, Programme de l'Allience, in Sozial-politischer Briefwechel, p. 539.

Kropothin, Conquest of Bread, po. 61-62.

But the State and the institution of private property by no means exhaust the list of tyrannies. Individual liberty is as little compatible with irrevocable vows-that is, with a present promise which binds for ever the will of man-as it is with submission to external authority. The present marriage law, for example, violates both these conditions. Marriage ought to be a free union. A contract freely entered upon and deliberately fulfilled is the only form of marriage that is compatible with the true dignity and equality of both man and woman.1 A free and not a legal contract is the only form of engagement which the anarchists recognize. Free contract between man and wife, between an individual and an association, between different associations pursuing the same task, between one commune and another, or between a commune and a whole country. But such engagements must always be revocable, otherwise they would merely constitute another link in the chain that has shackled humanity. Every contract that is not voluntarily and frequently renewed becomes tyrannical and oppressive and constitutes a standing menace to human liberty. "Because I was a fool yesterday, must I remain one all my life?" asks Stirner; and on this point Bakunin, Kropotkin, Reclus, Jean Grave, and even Proudhon are agreed.

To regard their social philosophy as nothing but pure caprice because of the wonderful faith which they had in their fellow-men would, however, he a great mistake.

Notwithstanding the merculess criticism of authority of every kind, there was still left one autocrat, of a purely abstract character, perhaps, but none the less imperious in its demands. This was the authority of reason or of science. The sovereignty of reason was one of the essential features of Proudhon's anarchist society.3 What Proudhon calls reason Bakunin refers to as science, but his obeisance is not a whit less devotional. "We recognize," says he,

the absolute authority of science and the futility of contending with natural law. No liberty is possible for man unless he recognize this

<sup>1 &</sup>quot;The anarchists want to see free unions established, resting upon mutual affection and based upon respect for one's self and for the dignity of others. And in that sense, in their desire to show respect and affection for all the members of the association, they are inimical to the family." (Linee Rectus, op. sit., pp. 145-146.)

Der Eineige, p. 229.

Cf Mis globale de la Rivelution, p. 281, and p. 342: "Revolution follows revelation.

b. bovern society." Reason aided by experience reveals to us the nature of the laws which govern society as well as nature, and which in both cases are simply the laws of necessity. They are neither made by man nor imposed by his authority. They have only been discovered step by step, which is a proof of their independent existence. By obeying them a man becomes just and noble. Violation of them constitutes injustice and up. I can suggest no other motive for human actions "

and seek in turn this law to his new advantage. No ere story, feed or a theelegian, or perhaps a metaphysician, a just, or lesurgerus ennounce, would revolt against the mathemated his which declares that 2 = 2 = 4.

The utmost that a man can claim in this matter is that "he obey fix

The utmost that a man can claim in this matter is that "he obey the laws of nature because he himself has come to regard them as zero sary, and not because they have been imposed upon him by some external authority."

Not only does Bakunin bow the knee to science, but he also swear allegiance to technical or scientific skill.

In the matter of boots I am willing to accept the authority of its shoemaker; of clother, the opinion of the tailor; if it is a bost, canal, or a railway, I consult the architect and the enginer. WI I respect is not their office but their science, not the man but I knowledge. I cannot, however, allow any one of them to impoun me, be he shoemaker, tailor, architect, or avant. I fine them willingly and with all the respect which their intelligencharacter, or knowledge deserves, but always reserving my undiputed right of criticism and control.<sup>3</sup>

Bakunin has no doubt that most men willingly and spontaneous acknowledge the natural authority of science. He agrees with Descart and employs almost identical terms when he declares that "commo sense is one of the commonest things in the world." But commo sense simply means "the totality of the generally recognized laws o nature." He shares with the Physiocrats a belief in their obviousness and invokes their authority whenever he makes a vow. He is als atixious to make them known and acceptable of all men through the instrumentality of a general system of popular education. The moment they are accepted by "the universal conscience of mankind the question of liberty will be completely solved."4 Let us again note how redolent all this is of the rationalistic optimism of the eighteenth century, and how closely Liberals and anarchists resemble one another in their absolute faith in the "sweet reasonableness" of mankind. Bakunin only differs from the Physiocrats in his hatred of the despot whom the had enthroned.

A society of free men, perfectly autonomous, each obeying only bins self, but subservient to the authority of reason and science—such is the ideal which the anarchists propose, a preliminary consideration of its realization being the overthrow of every established authority.

<sup>&</sup>lt;sup>1</sup> Bakunin, Œuvu, Vol. III, p. 51.

<sup>2</sup> Bid., Vol. III, p. 55
<sup>3</sup> 'In general we may say that man's general hie is almost entirely governed by
we call good sense," (Bid., Vol. III, p. 50-)

<sup>,</sup> Vol. III, p. 5t.

"No God and no master," says Jean Grave; "every one obeying his own will."  $^{10}$ 

### III: MUTUAL AID AND THE ANARCHIST CONCEPTION OF SOCIETY

At first sight it might seem that a conception of social existence which would raise every individual on a pedestal and proclaim the templete autonomy of each would speedily reduce society to a number of independent personalities. Every social tie removed, there would remain just a few individuals in juxtaposition, and society as a 'collective being' would disappear.

But it would be a grievous mistake to conceive of the anarchist ideal in this light. There is no social doctrine where the words 'solidarity' and 'fraternity' more frequently recur. Individual happiness and social well-being are to them inseparable. Hobber's society, or Surner's, where the hand of every one is against his brother, fill the anarchists with horror. To their mind that is a faithful picture of society as it exists to-day. In reality, however, man is a social being. The individual and society are correlative: it is impossible to imagine the one without thinking of the other.

No one has given more forcible expression to this truth than Bakunin; and this is possibly because no one ever had a keener sense of social solidarity. "Let us do justice once for all," he remarks,

to the isolated or absolute individual of the idealists. But that individual is as much a fiction as that other Absolute—God. . . . Society, however, is prior to the individual, and will doubtless survive him, just as Nature will. Society, like Nature, is eternal; born of the womb of Nature, it will last as long as Nature herself. . . . Man becomes human and develops a conscience only when he realizes his humanity in society; and even then he can only express himself through the collective action of society. Man can only be freed from the voke of external nature through the collective or social effort of his fellowmen, who during their sojourn here have transformed the surface of the earth and made the further development of mankind possible. But freedom from the yoke of his own nature, from the tyranny of his own instincts, is only possible when the bodily senses are controlled by a well-trained, well-educated mind. Education and training are essentially social functions. Outside the bounds of society. man would for ever remain a savage beast.2

Whether we read Proudhon or Kropotkin, we always meet with the same emphasis on the reality of the social being, on the pre-existence of the State, or at least of its necessary coexistence, if the individual is ever to reach full development. It is true that there are a anarchists, such as Jean Grave, who still seem to uphold the old fiditinction between the individual and society, and who conceiv society as made up of individuals just as a house is built of bricks.

But is there no element of contradiction between this idea and previous declaration of individual autonomy? How is it possible exalt social life and at the same time demand the abolition of traditional social lifes?

The apparent antinomy is resolved by emphasizing a distinct which Liberalism had drawn between government and society. Soci is the natural, spontaneous expression of social life. Government an artificial organ, or, to change the metaphor, a parasite preyi upon society. I Liberalis from the days of Smith onward had appli the distinction to economic institutions; the anarchists were to apply

I Balumin on this death-bed conferred to has friend Richelt that "All his philary had been bould upon a faise foundation. All was variated because he had began taking man as an undrividual, whereas he is really a member of a collective who flowed by Gollahame, Genera, preface to Vel. II. 50. In her heliusphie de Proj. (Graera, Vel. XX., pp. 56–50). Frouthion writes as follows: "All that remote the real properties of the secondary and the properties of the properties of the properties of the secondary throughout the properties of the secondary with this general conception, it provides and to study the secondary throughout the properties of the secondary throughout the properties of the secondary with the general conception to themostrate the laws of the secial being of of the financiaristic group, as to establish a proof of the existence of an individually provides that the properties of the secondary throughout the properties of the properties of an individually provides and the first properties of the properties of the

Kropothin thinks that man has always lived in society of one kind or another. "A far back as we can go in the paleo-ethnology of mankind, we find men living it societies, in tribes similar to those of the highest mammals." (Munal Ard, p. 85) "Man did not create society; society is older than man." (The State, its Historic Policy p. 6; London, 1898.) Jean Grave, on the other hand, thinks that "the individual was prior to society. Destroy the individual, and there will be nothing left of society. Let the association be dissolved and the individuals scattered, they will fare badly and will possibly return to savagery, their faculties will decay and not progress, but till they will continue to exist." (La Some I france, pp. 160-162.) Grave's view is essentially his own and does not square with those of either Kropotkin, Bakunin, or Proodlog, the real founders of anarchy. It is, moreover, quite obvious that their theories are really much nearer the truth, for it is as impossible to conceive of society without the individual as it is to conceive of the individual without society. The individual as Bakunin emphatically declares, is a fiction, or an abstraction, as Walras would say. Many people find it difficult to accept this doctrine. But it seems the only one that tallies with the facts, whether of nature or of history. We can no more imagine the individual without society than we can a fish without water. Deprived of water, it is not only less of a fish, but it is no longer a fish at all-except a dead one.

a Bastiat speaks of this error of confusing government and society as being the worst that has ever befallen the science. The State problem he defines as follows:
"How to inscribe within the great circle which we call society that other circle called

government." Dunoyer in so many words expresses the same idea.

to every social institution. Not only the economic but every form of social life is the outcome of the social instinct which lies deep in the nature of humanity. This instinct of solidarity urges men to seek the help of their fellow-men and to act in concert with them. It is what Kropotkin calls mutual aid, and seems as natural to man and as necessary for the preservation of the species as the struggle for existence itself. What really binds society together, what makes for real cohesion, is not constraint (which, contrary to the time-honoured belief of the privileged classes, is really only necessary to uphold their privileges), but this profound instinct of mutual help and reciprocal friendship. whose strength and force have never yet been adequately realized. "There is in human nature," says Kropotkin, "a nucleus of social habits inherited from the past, which have not been as fully appreciated as they might. They are not the result of any restraint and transcend all compulsion."1

Law, instead of creating the social instinct, simply presupposes it Laws can only be applied so long as the instinct exists, and fall into desuctude as soon as the instinct refuses to sanction them. Government, far from developing this instinct, opposes it with rigid, stereotyped institutions which thwart its full and complete development. To free the individual from external restraint is also to liberate society by giving it greater plasticity and permitting it to assume new forms which are obviously better adapted to the happiness and prosperity of the race, Kropotkin in his delightful book Mutual Aid gives numerous examples of this spontaneous social instinct. He shows how it assumes different forms in the economic, scientific, educational, sporting, hygienic, and charitable associations of modern Europe; in the municipalities and corporations of the Middle Ages; and how even among animals this same instinct, which forms the real basis of all human

1 Memoirs of a Revolutionist, Cf. also Paroles d'un Révolié, p. 221.

This idea finds frequent expression with both Reclus and Kropotkin. "The fact that we have instituted, regulated, codified, and encompassed with constraints and penalties, with gendarmes and jailers, the larger part of our more or less incoherent collection of political, religious, moral and social conceptions of to-day in order to enforce them upon the citizens of to-morrow is in itself sufficiently absurd, and it is bound to have contradictory results. Lafe, which is always improving and renewing bodin or never submit to regulation which have been drawn up in some period now past." (Reclus, eb. cit, pp. 108-109.) "Anarchist society," writes Kropotkin, it one to which any pre-established, crystallized form of law will always be repusnant. It is also one which looks for harmony, which can only be temporary and fugitive perhaps, in the equilibrium between the mass of different forces and influences of every kind which pursue their course without the slightest deflection, and which because they are quite untrammelled beget reaction and arouse those activities which are favourable to them when they move in the direction of progress." (L'Asgrable. pp. 17, 18.)

societies, has enabled them to overcome the natural dangers that theraten their existence

Anarchist society must not be conceived as a bellum sortium contra owner, but as a ferleration of free associations which every one would be at liberty to enter and to leave just as he liked. This society, Kropotkin tells us, would be composed of a multitude of associations bound together for all purposes that demand united action. A federation of producers would have control of agricultural and industrial, and even of intellectual and artistic, production; an association of consumers would see to questions of housing, lighting, health, food, and sanitation. In some cases the federation of producers would join hands with the consumers' league. Still wider groups would embrace a whole country, or possibly several countries, and would include people employed in the same kind of work, whether industrial, intellectual, or artistic, for none of these pursuits would be confined to some one territory. Mutual understanding would result in combined efforts, and complete liberty would give plenty of scope for invention and new methods of organization. Individual initiative would be encouraged; every tendency to uniformity and centralization would be effectively checked.

In such a society as this complete concord between the general and the individual interests, hitherto so vainly sought after by the bourgeoisie, would be realized once for all in the absolute freedom now the . possession of both the individual and the group, and in the total disappearance of all traces of antagonism between possessors and nonpossessing, between governors and governed. Again we note a revival of the belief in the spontaneous harmony of interests which was so prominent a feature of eighteenth-century philosophy.

Such an attractive picture of society was bound to invite criticism. The anarchists foresaw this, and have tried to meet most of the

In the first place, would such extravagant freedom not beget abuse,

<sup>1</sup> Memoirs of a Revolutionist.

a Proudhon had already set the problem as follows: "Can we find a method of transacting business that will unite divergent interests and identify individuals with the general well-being, replace the inequality of nature by equality of education, and remove all political and economic contradictions; when each individual will be at once both producer and consumer, cinzen and sovereign, ruler and ruled; when liberty will always expand without involving any counter-loss; when the well-being of each will grow indefinitely without involving any damage to the property, the labour, or the revenue of any of his fellow-citizens, or of the State itself, without weakening the interests he has in common with his fellow-men, without alienating their good opinion or destroying their affection for him?" (Idle globalt, p. 45) Jean Grave: "Were society established on natural bases, individual and general

<sup>.</sup> would never conflict." (Societ fature, p. 156.)

unjustifiable repudiation of contracts, crimes and misdemeanours? Would it not give rise to chronic instability? and would the conscientious never find themselves the victims of the fickle and the fraudulent?

The anarchists agree that there may be a few prants played, or, as Grave euphemistically calls them, "certain acts apparently allogether devoid of logic." But can we not reckon upon criticum and disapproval checking such anti-social instincts? Public opinion, if it were note freed from the warping influence of present-day institutions, would possess far greater coercive force.\(^1\) Our present system of building prisons, "those criminal universities," as Kropotkin calls them, will never check these anti-social instincts. "Liberty is still the best remedy for the temporary excesses of liberty.\(^1\) Moreover, such a system would enjoy a superior sanction in the possible refusal of other people to work with those who could not keep their word.\(^1\) You are a man and you have a right to live. But as you wish to live under special conditions and leave the ranks, it is more than probable that you will suffer for it in your daily relations with other citizens.\(^1\)

But there is still a more serious objection. Were there no compulsion, would anyone be found willing to work? The host of idlers is at the present time vast, and without the sting of necessity at would become still greater. Kropotkin remarks that "at so only about the usgar plantations of the West Indies and the sugar refinenes of Europe that robberty, laxiness, and very often drunkenness become quite usual with the bear." Is it not possible that men are just imitating the bee?

with the bees." Is it not possible that men are just imitating the bee? The anarchists point out that many a so-called idler to-day is simply a madeap who will soon discover his true vocation in the free

<sup>&</sup>lt;sup>1</sup> La Sould fahor, p. 16. "We cannot doguise the fact," says Kropotkin, "that if complete liberty of thought and action were once given to the individual we should see some exaggerations, possibly extravagant exaggerations, of our principles."

<sup>[</sup>Memory of & Devikhonic, p. 4(1)]

\*\*The only great and all-powerful authority at once rational and natural that we can respect to the quality area of a collective source founded upon equative and subsidiary, upon before you derive per few the human qualities of all in searchers. We as a thousand times more powerful than all your authorities, whether driving, the longest, instalyphical, policitate, or jurisdict, whether unitured by Church colored, metaphysical, policitate, or jurisdict, whether unitured by Church of State; more powerful than all your criminal codes, all your justers and hangmen."

(Maksing, (Eur.), vol. 111, p. 19).

<sup>\*</sup> Memors of a Revolutional, p. 414 This is also one of the favourite doctrines of the Liberals.

Kropotkin, Coopert of Bread, p. 206.

Grave, et. cit, p. 297. Proadhon is even more severe. "By making a contract you become a member of the fraterinty of free roen. In case of infingement, either on their add or on youn, you are responsible to one another, and the responsibility might even involve excommunication and death." [Life settler, b. 21].

Kropodia, Motel Aid, p. 17.

ociety of the future, and will thus be gradually transformed into a seful member of society.1 Moreover, does not the fact that so many eople shun work altogether prove that the present method of reanizing society must be at once cruel and repugnant? The certainty f being confined in an unhealthy workshop for ten or twelve hours very day, with mind and body "to some unmeaning task-work iven," in return for a wage that is seldom sufficient to keep a family decent comfort, is hardly a prospect that is likely to attract the orker. One of the principal aims of the anarchist regime-and in is respect it resembles the Phalanstère of Fourier- ill be to make bour both attractive and productive.\* Science will render the facry healthy, well lighted, and thoroughly ventilated. Machinery will en come to the rescue of the housewife and will relieve her of many disagreeable task. Inventors, who are generally ignorant of the ipleasant nature of many of these tasks, have been inclined to ignore em altogether. "If a Huxley spent only five hours is, the sewers of indon, rest assured that he would have found the means of making em as sanitary as his physiological laboratory."3 Finally, and most portant of all, the working day could then be reduced to a matter four or five hours, for there would no longer be any idlers, and the stematic application of science would increase production tenfold.

The wonderful expansion of production under the influence of plied science is a favourite theme of the anarchists. Kropotkin has acted us to some delightful illustrations of this in his Compact of rad. He begins by pointing out the wonders already accomplished market gardeners living in the neighbourhood of Paris. One of se, employing only three men working twelve to filters hour a set, was able, thanks to intensive cultivation, to raise 110 tons of setables on one acre of ground. Taking this as his basis, he calculate that the gloopoop inhabitants in the departments of the Scine that the gloopoop inhabitants in the departments of the Scine is the Scine et-Oise could produce all the corn, milk, vegetables, it fruit which they could possibly need in the year with fifty-gible Idays' labour per man. By parity of reasoning he arrives at the clusion that twenty-eight to thirty-six days' work per annum would aften our spicion, and speaking strick, there is no whigh as a really sile

The state of the s

especiaris.

Cropotkin, Memoirs of a Revolutionist, p. 414; Conquest of Bread, p. 136. The chiese show no desire to expand the Phalanstere, but prefer the family life languart of Bread, p. 204.

and mare do more and he and

secure for each family a healthy, comfortable home such as is occupi by English working men at the present time. The same thing appli to clothing. American factories produce on an average forty yards cotton in ten hours.

Admitting that a family needs two hundred yards a year at most his would be equivalent to fifty hours! Isolour, or ten half-say five hour; each, and that all adults save women bind themselves work five hours a day from the age of twenty or twenty-two to for five or fifty. . . . Such a society could in return guarantee well-beit of all its members. I would be a society could be the society of t

Elisée Reclus shares these hopes. It seems to him that "in the gre human family hunger is simply the result of a collective crime, and becomes an absurdity when we remember that the products are mo than double enough for all the needs of consumers."

Amid such superabundant wealth, in a world thus transformed in a land of milk and honey, distribution would not be a very diffice problem. Nothing really could be easter. "No stint or limit to wh the community possesses in abundance, but equal sharing and dividid of those community possesses in abundance, but equal sharing and dividid the continuation of the community possesses in abundance, but equal sharing and dividid the special sharing the state of the second sharing and continuation of the continuation of the second sharing and the continuation of the second sharing the state of the soup kitchen, which has become feature of some recent strikes. As to the laws of value which a supposed to determine the present distribution of wealth, and whi the economist foully believe to be necessary and immutable, it anarchists regard them as being no concern of theirs. The futility such dottrines in a source of some amusement to them."

#### IV: REVOLUTION

But how is the beautiful dream to be realized? The way thithe from the miscrable wilderness wherein we now dwell to the Promis Land of which they have given us a glimpse, lies through Revolutie—so the anarchist tells us.

A theory of revolution forms a necessary part of the anarchist do trine. In the mind of the public it is too often thought to be the on message which the anarchists have to give. We must content oursely

<sup>1</sup> Compact of Bread, p. 130. 1 Eluce Rectus, L'Évolution, etc., pp. 136-137

<sup>\*</sup> Flad., p. 193. \* Conquest of Errod, p. 83.

<sup>\*</sup>Cf. Grave, La Savid Jasov, chapter any, La Valor. The anarchus frequently too plain that their ideas are generally muthated by the economists. To read this chap is to realize the amount of intelligence which they display when interpreting the adversaries' doctrines!

#### THE ANARCHISTS

h a very brief reference to it, for the non-economic ideas of anarchism e already detained us sufficiently long.

roudhon is soon out of the running. We have already had occasion elect to his disapproval of violence and revolution. It seemed to that the anarchic ideal was for ever impossible apart from a nge of heart and a reawakening of conscience. But his successors somewhat less patient. To their minds revolution seemed an voidable necessity from which escape was impossible. Even if we d imagine all the privileged individuals of to-day agreeing among sacleves on the night of some fourth of August to yield up every lege which they possess and to enter the tanks of the protestriateir own free will, such a deed would hardly be desirable. The le, says Reclus, with their usual generosity, would simply let them they liked, but would say to their former masters, "Keep your leves."

It is not because justice should not be done, but things ought to d a natural equilibrium. The oppressed should rise in their own rangth, the despoide steet their own again, and the slave regain ir own liberty. Such things can only really be attained as the ult of a bitter struckle.

is not that Bakunin, Kropotkin, or their disciples revel in bloodor welcome outbreaks of violence. Bloodshed, although inevitably sneeparably connected with revolution, is none the less regrettable, hould always be confined within the narrowest limits.

loody revolutions are occasionally necessary because of the crassidity of mankind; but they are always an evil, an immense , and a great misfortune; not only because of their victims, but because of the pure and perfect character of the aims in view high they are carried out.

question," says Kropotkin," "is not how to avoid evolutions, we secure the best results by checking civil war as far as provide reducing the number of vectum, and by centralining the more rous passions." To do this we must rely upon people I baintoth, far from being stanguinary, "are really too land at heart not to y soon diagnated with cruelty." The attack must be directly along a 15th Kropotka suy. Those who with the strongth of pairs, it was not put the new tree new practice, understand the premay for a revolution their back mere and the second pairs. It is not to be seen the new practice, understand the premay for a revolution their back mere and the calculate arrives the dependent of the second pairs of the calculation arrives the dependent of the second pairs of the calculation of the second pairs. It is not the second the second pairs of the second pairs with department of the second pairs, and second (Further or, p. 250).

ma, as Smal-polatiche, p. 217.

8 Alemore of a Realizabeth, p. 217.

10 Alemore of a Realizabeth, p. 217.

10 Alemore of a Realizabeth and the second residue.

10 to be used marry and cruel. The people are not first the people of the second residue.

not against men but against their position, and the aim must be n individuals but their status. Hence Bakunin lays great stress uper setting fire to the national archives, and to papers of all kinds relative to tide in property, upon the immediate suppression of all law count police, upon the dishanding of the army, and the instant confisction of all instruments of production—factories, mines, etc. Kropoto, in the Conquest of Bread gives us a picture of an insurgent commulaying hold of houses and occupying them, seizing drapers' establisments and taking whatever they need, confiscating the land, cultivative, and distributing its products. If revolutionists only proceeded this fashion, never respecting the rights of property at all (which we great mistake made by the Commune in its dealing with the Bar

of France during the rising of 1871), the revolution would soon in over and society would speedily reorganize uself on a new and inde truetible basis and with a minimum of bloodshed. But the tone is not always equally pacific. Bakunan during at lea one period of his life preached a savage and merciles revolution

against privilege of every kind. At that time, indeed, he might just have pasted as the inventor of the active pronganda which, internuous pursued for many years by a few exasperated fanatics, had the effect of routing public opinion everywhere against ananchium. "We unde stand revolution," some one has remarked, "in the sense of an upheav of what we call the worst passions, and we can imagine in resulting the destruction of what we to-day term public order." "Bigandage it is remarked elsewhere," is an honourable method of political prograda in Russias, where the brigand is a hero, a defender and savio of the people." In a kind of proclamation entitled The Prinsiple Revolution, which, as some writers point out, ought not to be attribut to Bakunin, but which at any rate appears to give a fair representation of his ideas at this period of his like, we meet with the following word "The present generation should blindly and indiscriminately destru

as much and as quickly as possible "\*\* The means advocated are of classes that are cruel. People are ordinarily kind and humane, and will suffer lo rather than came others any sufficing " (Babunin, Chart, Vol III, pp. 184-18, The same idea from though Gover? Refeases are it Vulence.

The same idea runs through Sorel's Reflexants are la Vuolence.

1 Bakunin, Sozial-politizeher, pp. 225 and 353

2 Sozial-politizeher, p. 261. The proclamation was addressed to Young Russia ju

the development, p. gar. In greatment was mattered with confidence of Liberalium by enampainty the Alexander II had accepted the challenge of Liberalium by enampainty the processor of the processor carried out by has father Nicholas I, at the control processor of the more advanced feather, who thought that they had in him a bere who would open the golden gates of blorty. Bakkum at the time was under the influence of material processor of the processor of the processor of the processor of the processor of Nechslatin, boxes search and providence and the processor of the proce

#### THE ANARCHISTS

t varied description: "Poison, the dagger, and the sword...
lutton makes them all equally sacred. The whole field is free for
"I Bakum had always shown a good deal of sympathy for the
of the conspirator. In the Statists of the International Bratherhood,
the prescribed the rules of conduct for a kind of revolutionary assoon created by Bakunin in 1861, are some passages advocating
nee which are as bloodcurdling as anything contained in
haiel'? Samous Recolations Teaterhim. It is difficult to find lines
full of violent revolutionary exapperation than that passage of
Statuts of the International Socialist Alliants which forms the real
ramme of the anarchists. Since it also seems to us to give a fairly
full expression of Bakunin's thoughts on the matter, it will afford
inter close to our exposition.

We want a universal revolution that will shake the social and litical, the economic and philosophical basis of society, so that of present order, which is founded upon property, exploitation, minion, and authority, and supported either by religion or philoshy, by bourgeois economics or by revolutionary Jacobins, by bourgeois economics or by revolutionary Jacobins, re may not be left, either in Europe or anywhere elee, a single nestanding. The worker's prayer for peace we would answer who lords it over them, exploiters and guardams of every kind. rry State and every Church would be destroyed, together with their various institutions, the police system, all university regulations, all and economic rules whatsoever, so that the millions of poor man beings who are now being chrated and gaged, tormented exploited, delivered from the cruellest of official directors and cious curates, from all collective and individual tyranny, would once be able to bretche freely.

liceusion of anarchist doctrine lies beyond our province. More unch sweeping generalization diarm all enticism. Their theories o often the outbursts of passionate feeling and scarcely need te. Let us, then, try to discover the kind of influence they have hid are not going to speak of the entimad outrager which unfortly have resulted from their teaching. Uniquored minds already rated by want found themselves imapable of entiting the major as they can found themselves imapable of entiting the major os whence in face of such disctance. Such diedle, or active profuses they call it, can have no manner of gainfaction, but fool an active in the extreme financium of the author. It is not very

marciciae of criminal devils in the name of production had emorphisely capition. Later on he suggestionly expressed and arm, and declared that he had been

asy to attribute such violence to a social doctrine which, according on the circumstances, may on the one hand be considered as the shilosophy of outrage and violence, and on the other as an idea expression of human fraternity and individual progress.

The influence of which we would speak is the influence which snarchy has had upon the working classes in general. Undoubtred it has led to a revival of individualism and has beguten a reaction against the centralizing socialism of Marx. Its success has bee specially great among the Latin nations and in Austria, where i seemed for a time as if it would supplant socialism altogether. Ver marked progress has also been made in France, flatly, and Spain. If it because individuality is stronger in those countries than clsewhere We think not. The fact is that wherever liberty has only recently been achieved, order and discipline, even when freely accepted, seem little better than inforestable sizes of slavery.

An anarchist party came into being between 1830 and 1895. Busince 1893 it seems to have declined. This does not mean that the influence of anarchism has been on the wane, but simply that it hat changed its character. An France especially many of the olde anarchism joined the Trade Union movement, and occasionall managed to get the control of affairs into their own hands, and under their influence the trade unions tried to get tid of the socialist yoke The Confideration generale du Travail cook as its motto two word that are always coupled together in anarchist literature, namely 'Welfare and liberty.' It also advocated 'direct action'—that is, actio which is of a definitely revolutionary character and in defiance of public order. Finally, it betrayed the same impatience with merely politics action, and would have the workers concentrate upon the economistruggles—Since the First World War the anarchist movement he practically disappeared.

The prophets of revolutionary syndicalism deny any alliance will anarchy. But, despite their protests, it would be a comparatively eas matter to point to numerous analogies in the writings of Bakunin an Krepotkin. Moreover, they admit that Proudhon, as well as Mara has contributed something to the syndicalist doctrine; and we have already noted the intimate connexion which exists between Proudho and the anarchists.

The first resemblance consists in their advocacy of violence as method of regenerating and purifying social life. "It is to violence, writes M. Sorel, "that socialism owes those great moral victories the have brought salvation to the tmodern world." The anarchists in similar fashion liken revolution to the storm that clears the threatenin

J Reflexions sur la Fiolines, p. 233.

sky of summer, making the air once more pure and calm. Kropotkin, longs for a revolution because it would not merely renew the economic order, but would also "stur up society both morally and intellectually, shake it out of its lethargy, and revive it morals. The vile and narrow passion of the moment would be swept aside by the strong breath of a nobler passion, a greater enthusiasm, and a more generous devotion."

In the second place, moral considerations, which find no place in the social philosophy of Marx, are duly recognized by Sorel and by the anarchist authors. Bakunin, Kropotkin, and Proudhon especially demand a due respect for human worth as the condition of every man's liberty. They also proclaim the sovereignty of reason as the only power that can make men really free. M. Sorel, after showing how the new school may be easily distinguished from official socialism by the greater stress which it lays upon the perfection of morals, proceeds to add that on this point he is entirely at one with the anarchists. Finally, their social and political ideals are the same. In both cases the demand is for the abolition of personal property and the extinction of the State. "The syndicalist hates the State just as much as the anarchist. He sees in the State nothing but an unproductive parasite borne upon the shoulder of the producer and living upon his substance." And Sorel regards socialism as a tool in the hands of the workers which will some day enable them to get rid of the State and abolish the rights of private property. "Free producers working in a factory where there will be no masters"5-such is the ideal of syndicalism, according to Sorel. There is also the same hostility shown towards democracy as at present constituted and its alliance with the State.

But despite many resemblances the two conceptions are really quite distinct. The hope of anarchy is that spontaneous action and universal liberty will somehow regenerate society. Syndicalism builds its faith upon a particular institution, the trade union, which it regards as the most effective instrument of class war. On this basis there would be set up an ideal society of producers founded upon labour, from which intellectualism would be banished. Manarchy, on the other hand, contents itself with a vision of a kind of natural society, which the syndicalist thinks both fillucory and dangerous.

dicalist thinks both illusory and dangerous.

It has not been altogether useless, perhapa, to note the striking analogy that exists between these two currents of thought which have had such a profound influence upon the working-class movement during this century, and which have resulted in a remarkable revival of individualism.

Paroles d'un Révolut, pp. 17-18. Réferions nor la Violence, p. 218.

Berth, Let Nouveaux Aspects du Socialisme, p. 3-Reflexions nor la Violence, introduction. 16id., p. 237-

# Book VI: Predominance of Production and Exchange Problems after the First World War

In the preceding Book we have described the progress of economic theory and the emergence of social doctrines during a long period of peace that favoured both these things. Since 1914 the theories and doctrines that have been developed have borne the marks of war. Just as the founders of economics, from Adam Smith to Ricardo and J. B. Say, were strongly influenced by the Seven Years' War and the War of American Independence, and still more by the Revolutionary and Napoleonic Wars, so too was economic thought between 1914 and 1939 affected by the great world conflict whose shadow stretched far beyond the end of hostilities. Problems just like those that disturbed the founders of economics suddenly resumed all their former urgency and reality, but on an infinitely larger scale. They arose, too, in a world that had been transformed in a hundred years by a revolution in methods of transport and industrial technique, by an unprecedented increase in the population of the world, and by the economic influences that were henceforth to be exerted by such powerful new nations as the United States, Japan, and the British Dominions.

During the nineteenth century each country in turn had to review every ten years its financial, commercial, or monetary policy, but the scope of the discussions involved in this review hardly ever extended beyond the range of the nation itself, except in certain rare circumstances. After 1918, however, the same questions arose all at once, and all governments were faced by them at the same time. The result was a striking resemblance between the problems that exercised the economists of all lands, even in the realm of theory. In the vast literature to which these problems gave rise we find no longer the clearly defined schools of thought that we have distinguished in earlier pages. No economist is willing to be enrolled under any of the former standards.

On the other hand, however, there was also an accentuation of national characteristics, so that it would be very tempting to classify economists according to their nationality and to show how each of them has been constantly influenced by the circumstances peculiar to the so country and by its scientific traditions. We should have to try to describe an 'English' school, still permeated, almost against its will, by

memories of Rose Is; an 'American' school, much closer in its methods and exect viscos to the 'enotionatal' schools (Italian, Erroch, or Venezer) is him to the Incide the choice and a 'German' school, maint executed with immediate problems. To these would have to be added the building school of 'Stockholm', whose representative today entire well-method protection for the recovers they have made in

saided the beliant shool of 'Societalan', whose representatives to-day enjoy self-meitred presture for the progress they have made in some of the most difficult theoretical problems of our science. But this methed seems out of keeping with the very spirit of a work in which the history of policy all ecrosomy has been distinctedly treated as the history of a surner in which national differences give way to the common series for each

What is the historian of ideas concerned with? What will the consumits of to-mortow, to whom this book is addressed, be interested in? Almor all the its its the premare changes that the flood of new facts has browth a bout in the great theories and fundamental concepts of political economy. The contribution made by certain original thinkers to a better understanding of economic life, and their wider grap of existing theories in the light of the new tombinations of forces revealed by the war and the post-war period—there are of more importance than the variety of attitudes adopted by economists in regard to practical problems that are always the same, though differently presented in different countries. From these problems, of course, we cannot entirely withdraw our attention, but we shall attend particularly to the process that science has made through them.

latly to the progress that science has made through them. Looking at the matter from this point of view, we are struck by a twofold trend of thought that has been apparent since the First World War in almost all branches of our science. First there is the desire to show in precise detail the mechanism by which some elements of the conomic system adapt themselves to changes in other elements of the conomic system adapt themselves to changes in other elements of the adaptation of commerce to exchange variations, of production to crises, and so forth. The description of these mechanisms and their representation in the form of simplified schemes—what a Swiss economist has called "little models"—are one of the main concerns of economists to day, and especially of those when in increasing numbers start from Walara's theory of equilibrium and come to regard the different factors of economic life as closely interdependent.

The same writers are also concerned to describe the play of these mechanisms in an economy that is constantly changing. It is the dynamic

<sup>&</sup>lt;sup>1</sup> I will name here only Wicksell, Cauel, Lindhal, Myrdal, Ohlin, and Heckscher among those whose works are partially available in translations and deserve to be carefully suided.

aspect of economic phenomena, in contrast to their static aspect, that attracts them most. There is nothing surprising in this at a time when the mobility of economic life forces itself on the attention of the most careless observer. Nor is it surprising to see certain problems raised afresh in the very terms in which they were dealt with by, say, Simondi or Malhus in oposotion to the classical economists.

These theoretical tendencies are particularly marked in the study of two problems to which for this reason we give the central place in our expositions the problem of international trade and the problem of crises. Both of them have called forth some of the best books of the period just ended, and it is around them that the views of the most prominent economists of to-day and to-morrow can most conveniently be grouped. All these economists, near and far, and whatever ther nationality, have taken part in the heated discussions aroused by those problems. The reader will see that, from the way they have been dealt with, we can observe marked and continuous progress. To this such as to encourage those who put their faith in the gradual transformation of political economy from a normatine scence, as it tended to be at the beginning to far too great an extent, to the explicative science that it has always wished to become.

If may perhaps be thought that along with theories relating to crises and foreign exchanges we should have kept a special chapter for monetary theories. But for various reasons we have not done so. Though practical monetary problems have been warmly debated for twenty years, the progress made in the theory of money does not seem to us proportionate to the volume of these discussions. Moreover, the complexity and the technical character of these problems would have meant giving them more space than we could afford in a work of this did. And lastly, there was too great a risk of merely repeating which has recently been said in another work on this subject, to which the reader is referred. He will see also that monetary questions have been dealt with more than ouce in the chapters that follow. They are inseparable from the problems of international trade and of crises, with which in their most modern aspects they are closely connected.\*

By Keynes, for instance.

Histore des doctrines relatives au crédit et à la monnoue, by Charles Rist (Sirey, Paris,

Since the publication of the last efficient of our Hubery of Economic Doctrina many general histories of economic theories have appeared in France. We should mention particularly M. Gonnard's Historie de declorer termemper, and M. Gastan Parcu's Les Doctrins Recommission or France adpus 1709, which makes a very useful complement to many chapters of our book. But special mention should be made of this author's erries of volumes (Donat-Montheratics) in which he makes a propulous study of

## CHAPTER 1: GENERAL REVIEW OF THEORIE OF INTERNATIONAL TRADE

PROBLEMS of international trade assumed unprecedented important after the First World War. The belligerents were left at the end of hostilities in a situation closely resembling that assumed by Ricard as the starting-point for his theory of international commerce. H described countries, hitherto separate, entering suddenly into trading relations, and investigated the results on their economy. The end of the World War made real what had been looked on as only an abstrac hypothesis. What would be the effects of this sudden resumption of contacts between countries isolated by the blockade and the long closing of frontiers? How would commodity prices behave when communications were once more established? What would be the fate of industrial and agricultural undertakings that had been abnormally developed by the war? And lastly, what economic policy ought States to adopt in the peace period? Should they strengthen the tendency towards more rigorous protection, already in evidence before the war, or encourage a return to greater freedom of trade?

A further serious difficulty was caused by the demand of the Allision reparations from Germany and the American claim to repayment of the enormous advances made to the 'associated nations.' How wete such gigantic sums of money to be found, and then transferred from one country to another? What would be the effect of such transfers of the international trade in commodities? Would not the process be likely to produce profound disturbances in the monetary equilibrium and the foreign exchanges, and upset national economies by creating imports and exports out of all proportion to the normal course of trade of the process of the control of the proportion to the control course of trade of the process of the control of the proportion to the control course of trade of the process of the control of the proportion to the control course of trade of the process of the proportion of the process of the proce

These problems seemed to have been solved at last, after a fashion, at the end of ten years of conferences, negotiations, and agreements (as well as disagreements) between States and central note-inuing banks, when suddenly the world crisis broke out in the autumn of 1929 and brought into question once more all the results so laboriously obtained. The profound fall in prices, creating grave difficulties for industrialists and farmers in all lands, evoked everywhere a violent exection against the foreign competition that was held responsible for

all the great currents of thought relating to economic theory. This series, consisting of a large number of volumes, enables the reader to understand the very varied directions taken by doctrines and methods in foreign countries, particularly the thoired States.

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is fall. National economies sought safety in methods hitherto nknown or long abandoned, such as import quotas and monetary evaluation. These methods in their turn raised new difficulties, so

at discussion sprang up once more and original methods like the learing system were employed to regulate trade between one country nd another by means of systematically organized barter. The lively economic discussion caused by this situation follower wo different lines. It was pursued first on the lines of practical every lay policy. Statesmen, publicists, and representatives of the great gricultural, industrial, and commercial interests made known their iews on parliamentary platforms or at meetings of the League of Vations, as well as at professional conferences and in the papers

These discussions revealed not only the main trends of thought bu ilso the feelings, the passions, and the interests that disturbed men' ninds. They reflected the struggle between the strictly national view of some and the more international conceptions of others, which simed at restoring a universal economy after a war which had upse the normal course of trade. How was the increasingly close networ of economic interdependence, to which the nineteenth century with its long spell of peace owed much of its prosperity, and which Keyne described so eloquently in 1919 in The Economic Consequences of the Peace to be restored amid national passions aggravated by a bloody conflict That was the fundamental problem that set the politicians by the ear-The very same problems had arisen after the Napoleonic Wars an even after the Seven Years War, but those far-off experiences has been forgotten.

However, the following passage from Ricardo might well have bee studied, for he was announcing in advance all the difficulties by which men were later to be faced

The commencement of war after a long peace, or of peace after a long war, generally produces considerable distress in trade. I changes in a great degree the nature of the employments to whic the respective capitals of countries were before devoted; and durin the interval while they are settling in the situations which nev circumstances have made the most beneficial, much fixed capita is unemployed, perhaps wholly lost, and labourers are without fu employment. The duration of this dutress will be longer or shorte according to the strength of that disinclination, which most men fee to abandon that employment of their capital to which they has long been accustomed. It is often protracted too by the restriction and prohibitions, to which the absurd jealousies which prevail betwee the different states of the commercial commonwealth give rise.1

2 Ricardo, Principles of Political Economy, chapter six, para, 93 (chapter well of the first edition, 1817).

Before the time of Ricardo Adam Smith had written as follows

In the midst of the most destructive foreign war, therefore, the creater part of manufactures may frequently flourish greatly; and, no the rontiary, they may decline on the testim of peace. They may flourish amidst the ruin of their country, and begin to decay upon the return of its prosperity. The different state of many different branches of the Bitish manufactures during the late war flex Seven Years War), and for some time after the peace, may serve as an illustration of what has been just now said. (Width of Nebro, Pook IV, chatter 1).

This passage is a perfect description of what happened after the First World War. To make it more complete we could add to it an equally forgotten passage from John Stuart Mill, though he was an optimist, pointing out by way of compensation the rapidity with which the public wealth is spontaneously created new on the morrow of a war, if Jabour is left free to put forth its efforts. Mill gave the reason for this phenomenon, always neglected during the war and always marvelled at afterwards, in terms that might usefully be recalled even

to-day.¹

Public controversy is of more interest to the political historian than to the historian of economic doctrines, who is particularly concerned with the influence of these events on the contained opinions of economists. So great a mass of new experiences could not fail to fill out, correct, and widen the theory of international trade. The old formule, born of more limited experience and a state of affairs made obsolete by later events, had to be revised in the light of the recent past and to take account at the same time of both new and old facts. This work did not consist simply of throwing into relief and giving new force to certain views formulated long before the war by clear-sighted writers. It resulted also in really new doctrines. One of the most interesting aspects of this revision is the application to international trade of the very fertile concept of economic equilibrium formulated

3 See Mill, Principle of Political Enougy, Book 1, chapter v, para, r. The passage itso long to be quetted there in full, but it deserves to be carefully read, Mill pointed out that a country's capital is constantly destroyed and restored, that war only hastern his process, and that the restoration is accomplished by the aid of manual labour. "If there is as much of food left to them, or of valuables to buy food, as enables them by any nonunt of privation to remain alice and in working condition, they will me a thirst time have raised as great a produce, and acquired collectively as great wardland and great capital as before; by the more continuance of the surface of the continuance of the surface of the continuance of the surface of the continuance of the surface. The surface of the continuance of the surface of the continuance of the surface of the continuance of the surface. The surface of the continuance of the continuance of the surface of the continuance o

explanation of the reasons why countries exchange their products; (b) a definition of the criterion that distinguishes domestic trade from international trade; and (c) a statement that international trade resolves itself into mere barter.

(a) Why, asks Ricardo first, do two countries exchange productse.g., corn and cloth—when each of them is equally able to produce them in its oun teritory? For it must be suit at once that it is this case, and this case alone, to which the Ricardian theory relates. Cases in which the subject of exchange is not produced in both countries, though at least an numerous as the others, if not indeed more numerous, are set aside.

The question was apparently one of pure theory. But actually it had a bearing on the most immediate interests, for it presented itself in an urgent form to England after the Napoleonic Wars, because of the special position of her agricultural industry.2 English wheat growing had increased greatly during the war, being stimulated both by high prices resulting from inflation and by the partial interruption of overseas commerce. The peace brought back the competition of foreign grain, and at the same time a rise in the purchasing power of gold. The landowners, anxious to preserve their monopoly, demanded an increase in protective duties against foreign competition and falling prices. Ricardo, in whose eyes the future of England was bound up with the development of her manufactures, advocated a decreasing duty which should give agriculture time to adapt itself without preventing a gradual fall in the price of corn, and therefore in the cost of living and wages. The same opposition of interests between agriculture and industry gave rise in France after the war of 1014-18 to a similar problem.3 The theory of comparative cost was born of the

The Classical school, by cantrely ignoring the exchange between two countres of good profused by one of them shoes, leave out of their theory what is probably the most umportant part of all Imports and exports. They evidently thought that these exchanges most non-septiamons. They might, northy speaking, be regarded as the contract of the contract o

demonstration and take for our base the bypochesis of enturely different commoditate. Viters, in an article in the great Endoysdess of \$0 g, and Sonone (published in New York in 1933), and in reference to the theory of international rade that the claimed interny able one developed largely as an accidinate bypordisc of current contineeries about practical questions, and that in its choice of problems as well extend the contineeries about practical questions, and that in its choice of problems are contineering about the first World War. On the first, that dismissible instead of increasing during the First World War. On the

fact, had dismished instead of increasing during the First World War. On the return of the presoner production increased, and falling prices should have enabled ber to self at a profit in an impoversibed Europe. But this reportation might have resulted in an internal rise in the prices of agricultural products which would have

erincided with an increasingly marked tendency on the part of the best economists in Italy, America, and even England to reject the theory.

In Italy Pareto, in 1801, and a little later Barone in his remarkable Principle (1904) traid courteous homere to Ricardo but formulated a theory of the equilibrium of international prices that rested in reality on new foundations. Edgeworth was not for from accepting Pareto's doctrine in the noteworthy article he contributed to the Economic Towns in 1801 on the pure theory of international values, a masterly summing-up of the doctrines worked out from the time of Ricardo to that date ?

The ground was therefore already prepared when after the First World War economists in ever increasing numbers, impressed by the inability of the Ricardian theory to account for the multitude of observed facts, decided simply to scrap it. To the Swedish author Ohlin belongs the honour of having deliberately set aside the old doctrine as inadequate, in a work full of facts and ideas entitled Interregional and International Trade, and constructing instead a theory of international trade on new foundations closely resembling those adonted by Pareto, though he was not then acquainted with Pareto's views. A little earlier (1926) the American James W. Angell, after tracing the entire history of doctrines relating to this great subject, reached the very same conclusion in a book that is remarkable alike for its critical spirit and its erudition.9 The appearance at the same time of Taussig's International Trade (1927), far from retarding this development, actually encouraged it; for if on the one hand the American economist gave the most highly developed and detailed exposition that is to be found of the doctrine of comparative cost, which he still accepted, yet on the other hand, relying on his vast experience of American commercial policy, he showed the difficulties of the doctrine with such admirable honesty that he contributed as much as his declared opponents towards facilitating the necessary rejuvenation of that doctrine that was prepared by the remarkable work of his own pupils, of whom we must mention Viner, Williams, and Angell himself.

For a proper understanding of this development a brief reminder of the Ricardian theory is necessary. It actually comprises three distinct elements, not bound together by any organic link, which can most advantageously be considered separately. These are (a) an

In an article entitled Cambi Foresteri in the Giornale degli Economisti (1894), and then in his Cours of temomic politique in 1896.

The article is reprinted in the second volume of Edgeworth's Papers relating to

Political Economy (London, 1925).

\* Angell, The Theory of International Prices (Harvard, 1926).

# ABANDONMENT OF DOCTRINE OF COMPARATIVE COST 647

We need not stress the unfortunate lack of precision of the terms used by Ricardo, which has given much scope for the ingenuity of commentators. Nor has this lack of precision disappeared in the later elaborations of the theory, and Pareto in particular has emphasized it. Here we will merely enumerate the reasons that have led an increasing number of economists to abandon the Ricardian theory as formulated in the above passage.

To begin with, why should the origin of exchange be explained by reference to the cost in labour instead of starting from the different prices of the products, as is the case in actual fact? Countries export and import because certain foreign products are dearer or cheaper than the home-produced ones. This common-sense statement, however, is not enough. It has in fact been observed that if all prices in each country, while differing in actual amounts, differed from each other in the same proportion, there would be no exchange. That is the form that the theory of comparative cost assumes when applied to prices. It has been rightly emphasized by Ohlin (p. 13), and before him, though in a slightly different form, by the great Dutch economist Pierson. Suppose that the prices of commodities a, b, c, d, e, in France are in the ratio of 1, 2, 4, 8, 16, etc , while in England the scale of prices of the same commodities is 3, 6, 12, 24, etc. Then all the English prices are higher than the French ones, but the ratios of the prices in each country to each other are the same. In that case France will export to England but will not import from her; there will be no exchange. Owing to this unilateral trade, exchange on Paris will rise in London (assuming, like Ohlm, for the sake of simplicity, that both countries have a paper currency), so that the prices of all French

Pareto, Manuel di cessonia palitica, chapper ux, para 42" 'Ita hard 10 say what a the meaning of one thing being produced now sumply than another. Professor Battalis warms us that the comparison between the costs of the commoduse A and Battalis warms to their prices but to cample, but the does not—and the cannot—and the comparison of the commoduse A not be cannot—and the comparison of the comparison of

See Vol. II of Prenghes of Essensus, the English editors of his Menual of Publish Essensip published in Dutch between 1989 fast approx Nichosa Gerard Pheron played to improvate part as Minister of Finance, President of the Council, and Prenished to improve the Persident of the Council, and Prenished Ramas (I) and the Council of Comparished Council of Comparished Council of Council (Council Council of Council (Council Council of Council (Council of Council (Council (Council

effort made by Ricardo to justify his own thesis in opposition to

The argument of the English agrarian protectionists was a : one. Why import wheat from Russia and Poland, they said. Envland can broduce it just as well as those two countries? It is the tradiargument put forward by protectionists in favour of the industr which they are interested, and is met with in all discussions of kind. Why, it is repeated on each occasion, import such and si product when the importing country could technically make it as as the foreigner, and even more cheaply? To this Ricardo repl and his reply covers all similar cases—that it is because England greater advantage in producing and exporting textiles or other m factured products than agricultural commodities. In fact the sa these textiles to the foreigner enables her to obtain, and therefor consume, a greater quantity of corn than she could herself produ she devoted to its cultivation the same amount of labour that she devotes m the production of the textiles that she exports. It is, he added, a six application of the principle of the division of labour. He illustr his idea by the following example, since taken up and developed an abundance of complicated arguments by Mill and his successor

Two men can both make shoes and hats, and one is superior the other in both employments; but in making hats he can exceed his competitor by one-fifth, or 39 per cent., and in mai shoes he can excel him by one-third, or 33 per cent. Will it not for the interest of both that the superior man should employ in exclusively in making shoes, and the inferior man in making hats

The whole of the doctrine of comparative cost is nothing but academic dilution of this short and obscure footnote by Ricardo.

To know whether exchange between two countries is advantage to know that the product imported would cost I labour to produce at home than abroad. What does matter is discover whether, given the relative labour costs (within each count of the two products to be exchanged, each of the two countries do not gain by devoting useff to the exclusive manufacture of one as acoulting the other by exchange.

hampered industry. At that juncture the Minister of Commerce felt it ha duty publish payers are not to prevent a gricultural piece from rising and remark for way agricultural piece from rising and remark for way agricultura and industry, that he fail interesting with the object of preventing any cultural prices following that a natural course, thought in France the sum was so make them full and in Regulard to make there pare. The creation of the piece week, however very suckermance, for it retarded the restoration of agriculture after the war an excellent substays to industry.

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because the latter are more profitable (p. 133)—i.s., they bring in more money in view of the market demand and the prices of the other factors of production employed. From these examples Ohlin draws the conclusion that the so-called law of comparative cost is only a particular instance of the tendency to find the cheapest combination of the factors of production (p. 47).

In reality this principle of comparative cost, which Ricardo looked upon as the basis of international commerce alone, is at the bottom of all trade between regions and between individuals. That is the most decisive criticism that can be levelled against his doctrine. The source of exchange and of the division of labour is always the same: namely, the relative preference of the exchanging parties for one commodity compared with another, or the relative advantage enjoyed by the producers in the production of one commodity compared with another. Why does Lyons specialize in the manufacture of silk and Roubaix in that of wool? Is it not because Roubaix has an even greater advantage in making woollens and exchanging them for Lyons silk (or other products) than in making both silk and woollen goods (or other products) at the same time for Northern France? Why does one industrialist specialize in weaving and another in spinning if it is not because he has an even greater advantage in producing only cloth and exchanging it for varn? Is it not Ricardo himself who suggested this by his example of the hatter and the shoemaker? This is what a growing number of economists have seen more and more clearly as the prestige of the Ricardian economics wanes.

The consideration of relative costs "is not peculiar to international trade," says Pareto in his Cours d'économie politique (p. 859 n.); "it can be applied also to the individuals who form an economic unit." And at the same time Edgeworth said in his article on the Piver Theory of International Values that the fundamental principle of international trade is to be found in the general theory that Jevous called the theory of exchange and that Marshall defined as a study of the coullibrium

Thung, bovever, regards these examples as confirming the theory of comparison voc ext, m which he is an akinovledge believer. But we can equally well draw from them a conclusion in favour of the theory that takes proceed directly as the point of departure. In a significant passer; Tanuly was himself led to introduce demand of chargara. In a significant passer; Tanuly was himself led to introduce demand the deviation of the conclusion of the two countries, after the exchange, that size has before of one of the two commodines exchanged. How then are we to be sure that he has gained by the commodines exchanged. How then are we to be sure that he has gained by the commodines exchanged. How then are we to be sure that he has gained by the commodines exchanged. Tanule declares that the wey fact that he consects to the exchange shows the charge in the size of the control of the two commodines exchanged. How then are we to be sure that he has panelly the less than the size of the siz

goods rise for the English. Suppose now that this rise in prices of

tinues until the prices of all French goods in English currency trebled. Actual prices will then have become the same in both country sales will stop, and there will no longer be any reason for exchan In other words, if lasting trade is to be established between t

countries not only must their prices be different but the scale of 'rela prices' must be different in each country. There is no need, therefore, resort to so vague a notion as 'cost in labour' to explain exchange: that is needed is to speak of differences between relative prices. B when that is done Ricardo's truth becomes so obvious a proposition as to be almost a truism, for who ever imagined that the prices of

products were in the same ratio to each other in two different countries But that is not all. In basing its explanation on the 'labour cos of products the classical theory entirely neglects the part played it demand in the fixing of prices within each country and therefore in the international trade that results from them. Ricardo admits, it is truthat prices are proportional to 'cost in labour' and that exchang takes place on this basis inside each country. But this proportionalit is actually only a tendency. Moreover, we must take account not on of labour but of saving and interest also. In fact the market demand

operates at every moment to modify these theoretical prices. A Angell says, however great may be the comparative advantage expressed in terms of labour, current prices may be such that exchange which ought to take place on the basis of comparative cost is in facimpossible (p. 373). Ease or technical cheapness of production are not enough to make an entrepreneur decide to produce: he must take

into account also the tastes and incomes of prospective buyers. Ohlin has rightly shown that in production at home as well as in foreign trade it is this consideration that determines the choice of crops to be cultivated, and not merely the technical advantages and physical output of labour. "In Southern Europe," he says, "corn is grown in many places on land that gives a smaller yield than could be obtained from land that grows vines, if it was turned over to corn-growing." Why is this? It is because "the demand for wine is so great that these vineyards yield more (in money) than if they were used for corn-

grown on the land that would give the best actual yield of maize," this land being devoted to wheat because the price of wheat enables it to pay a higher rent.

growing." (P. 46.) So also "in central Europe maize is hardly ever

Taussig in his turn has taken typical examples from American agriculture of crops, such as beet and hemp, being replaced on soils that are technically more suitable for them by different crops, simply

only by taking prices for the basis. In answer to the objection that these prices themselves and their differences need explanation—an objection already raised by Mill and recently again by Taurig-Ohlin, like Angell, replied that the differing economic constitutions of different countries suffice to explain them. Each country is endowed with 'factors of production' differing in quality and quantity: one is rich in man-power and another in raw materials; one has workers of remarkable technical skill and another mainly unskilled labourers; one has alumdant savings at its doponal while another has been unable to accumulate any capital, in one the demand for certain products is very keen and in another the demand for the same products is negligible, and so forth. The result of these natural and historical differences is that in different countries there are different prices for the same or similar products, and from these price differences exchange acises. The treatment accorded by Ohlin to the influence of these factors on international trade is amone the most suggestive features of his book, as well as one of the most original.

But to replace the doctrine of comparative cost by a theory of price equilibrium is not enough, we must also construct for international as for national trade a group of equations to show that these mutually dependent prices are all determined and that the number of unknowns is equal to the number of equations. As Ohlin says, the theory of equilibrium on a nucle model must be supplemented by a theory of equilibrium on several markets. The first attempt at this was made by Pareto in the first edition of his Course in 1806,1 and again in his Montal in 1906. To the old equations of equilibrium of production in an isolated country he added two new ones, taking into account on the one hand goods made in one country and sold in another, and on the other their price. The first equation expresses the equilibrium of purchases and sales between one country and the others; the second shows the price of one country's money in terms of that of anotherthat is to say, the exchange rate. Oblin, on his part, constructed independently of Pareto a system of equations of international equilibrium. including two which took the same two circumstances into account. but he started with Cassel's equations of prices, leaving out the notion of 'ophelimity' contained in Pareto's equations.

In a historical work like this we can only refer to these algebraical demonstrations that are impossible to summarize. We will merely say that apart from their greater generality and their agreement with

<sup>&</sup>lt;sup>1</sup> And even earlier in an article in the Gornale orgh Economist in 1894, whose bearing on the matter was realized by Edgeworth in the important study previously memioned.



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between the forces of demand and supply, a theory which is at the centre of most of the problems of political economy. It follows from this theory that all the parties to an exchange gain by it. That, he concluded, is the general formula of the principle of comparative out so far as its positive aspect is concerned. To make his view more precise he pointed out that national trade is, sirricly speaking, a simple special case of international trade, and that even historically the latter preceded the former.

This truth obtained acceptance as the theory of equilibrium made its way into economic doctrine. In the United States and in England it gained important adherents. In a typical passage in his Principle of Economics the well-known American economist Seligman described the development of his ideas on this point. It had long been supposed, he said, that the principles of international trade differed from those of domestic trade in that the former was subject to the law of compartive cost, but we knew now that this law or the law of respired development of the comparative cost, but we knew now that this law or the law of respired development of the comparative cost, but we knew now that this law or the law of advantages as between networked the control of the contr

In England Edwin Cannan, in his presidential address at the annul meeting of the Royal Economic Society in 1933, declared that the principal error of economists, from Ricardo's time until the present day, had been to try to construct a special theory of international trids, esparate and distinct from the theory of trade within a single country!

To sum up, Ricardo, seeking to explain briefly the reasons for international trade, thought to simplify the problem by assimilating nation to communities of workers exchanging their products between them. But this simplification, meant primarily to show the advantage of this trade, became so sketchy a picture that it left out some of the most important phenomena presented by it, and these can be explained

<sup>&</sup>lt;sup>1</sup> This does not mean that there are not some economists who remain faithful event tooday to the doctrane of comparative cost. I have already menioned Rebusti in France, and there are also Cabati in Italy (in his important work on the Thysioley of International Relations), de Leener in Belgum, in his book on International Commerce, and, as already stated, Tassing in the United States.

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Ohlth develod Approach so if the States are preserving strained of the classical theory of foreign trade. He point not to it as a preceiving strained plan Riesdy saumed (1) that it the marginal cost of production that it the base of these classical costs, and that rest is thus classicated; (2) that the different binds of known are reduced to a roumon denominator, which is just "kilous"; (3) that captual and labous are employed in the same proportions in the making of all commodules. These three assumptions are ningularly far removed from reality.

Withelm Leau had already observed in his remarkable and ipsufficiently have study of commerce in Schoenberg's Cambin (Vol. 11, p. 1921) that Resault's implicitly and wrongly assumes that in each country, in different branches of ion, equal quantums of laborates

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Indian Currency Commission in 1899 already show very appreciable progress, and constitute a document of exceptional interest. Marshall recognizes that there may be a premium on exportation for a fairly long time in favour of the countries whose silver or paper money is depreciated in relation to gold, so long as prices in those countries have not changed, or have changed only slightly. This will happen especially when the fall in the exchange rate has begun abroad-a hypothesis that Mill did not even consider.1 And he pointed out also that the excess of exports often lasts for a considerable time because it is accompanied by an export of capital, the foreign currency arising from the exports not being sent back in the form of imports into the country whose money is in process of depreciating. This penetrating observation has since been verified in a striking manner at the time of the depreciation of the franc during the years 1925-27, which explains the excess of French exports at that date. But in spite of this observation he returned in other passages to the idea that an excess of exports must of necessity induce corresponding imports, so that the premium on exportation from countries with a depreciated currency does not involve the countries that receive the goods in any lasting inconvenience because these latter countries in turn see their goods demanded by the others. That is the situation that Marshall thought to exist in England in relation to India before the rupee was stabilized.

The controversies on this point, provoked at first by the fall in silver and later by the behaviour of paper money, continued at the end of the nineteenth century and the beginning of the twentieth "without providing economists with any opportunity of agreement," as Fontan

According to the earliest members of the Classical school, time deposition alongs with gone a prima time of pajer many, the rise in proces and the depreciation through the gone at the name time. The ideas of depreciation perceding the price rise is foreign team. Marshall already took up a defirence prointen. He admitted that the fall in the value of a currency may begon abroad (the admitted it in the speak case of the contract of the particular time of the currency through Arshall does not percent to the expectation of good from a sensity on the expectation correct, but natural to conclude from this that the same position may arise as a country with a paper currency, though Arshall does not peak of this. In their words, the fall in the value of the paper money may Jeps adved, that is to say on the exchange market, before market. We know more and Nogaro has written making leff fiel to the commodity market. We know more and Nogaro has written capital why the permission on exportation arising from paper currency that the contract of the particular time of the paper contracts of the commodity market. We know more many Nogaro has written than the contract of the particular time of the paper contracts of the particular time. It is the very east that Tausung gares rectal generators to two tables. It is the very east that Tausung case percent generators to two tables.

explain will the premains on exportation attening from paper currency supera to often. It is the very case that Tassing geas special promisionne to (see below).

\*See ps. 300-391 of Marinali's Official Papers, where the exposition particularly official complete. The question of the premain (or boundy) on exportation is a material plaint. Person, too, in a remarkable passage on the Toccasion and in a material plaint. Person too, in a remarkable passage on the Toccasion and the Supera in part of the English translation) attends the difference of a currency on international trade according as the though each plain have done in the country leafs.

the now classical theory of price equilibrium, they have the advantage of taking into account two extremely important elements completely absent from the Ricardian doctrine. First there is the part played by demand in the determination of price. This we have already mentioned, and it was entirely neglected by Ricardo. And secondly there is the part played by the rate of exchange in the determination of commodities exchanged between different countries. This latter point is very important. Two countries such as France and England would, in fact, see a sudden change in their imports and exports if the price of the pound in francs should happen to fall suddenly (as the result, for instance, of a depreciation of the note issue or a legal devaluation). Suppose its price fell on the exchange market from 25 to 15 francs, either spontaneously or from legislative action taken by one of the two countries. A great mass of English goods would then immediately come within the range of French incomes while French goods would become dearer for the English. And the position would be reversed if the price of the pound rose. In such cases it would therefore be necessary to find a fresh equilibrium between purchases and sales. Meanwhile the country that had become suddenly cheaper would reap an advantage. These devaluations played an important part during the post-war years, and became an instrument of international commercial policy. Their effects in the seventeenth century had been noticed by Cantillon, but they had no place in the theory of Ricardo and his successors.1 Mill expressly declares that a depreciation of the currency "does not affect the foreign trade of the country," because prices in the country whose currency is depreciated are immediately adjusted to the depreciation The position taken up by Marshall in his famous depositions before the Gold and Silver Commission in 1887 and the

On this point see Ohlin, chapter i, para. 6. 9 Here is Mill's argument: "Let us suppose that England is the country which has the depreciated paper. Suppose that some English production could be bought, while the currency was still metallic, for  $\xi 5$ , and sold in France for  $\xi 5$  to, the difference covering the expense and risk, and affording a profit to the merchant. On account of the depreciation, this commodity will now cost in England £6, and cannot be sold in France for more than £5 101., and yet it will be exported as before. Why? Because the £5 ton which the exporter can get for it in France is not depreciated paper, but gold or silver: and since in England bullion has risen-in the same proportion with other things-if the merchant brings the gold or silver to England, he can sell his £5 tor. for £6 121., and obtain as before to per cent, for profit and expenses" (Principles of Political Economy, Book III, chapter xxii, para. 3). It will be seen that Mill starts from the notion that the depreciation of paper money on the exchange market and the rise in the prices of goods, including gold, on the home market are two simultaneous phenomena and exactly balance each other. He forgers too that paper-money countries are in the habit of prohibiting the sale of gold or silver money, so that the transaction he imagines would be unlikely to take place.

ABANDONMENT OF DOCTRINE OF COMPARATIVE COST 655 hesitated to make the effort needed to build up a new construction, by

hesitated to make the effort needed to build up a new construction, by including these so-called anomalies. But it is not correct to say that the opponents of the doctrine of comparative cost have not formulated any doctrine to replace it. Viner, who expresses this opinion, I yet makes an exception in favour of Pareto. But Ohlin and Angell must be added also, and still more Viner himself and the group of writers impired by Taussig, who with him have carefully observed the actual facts and transformed the old conception in their noteworthy studies. (b) The examination of the second element in the Ricardian theory

(b) The examination of the second element in the Ricardian theory will not detain us long. It is the question of the criterion chosen by Ricardo and his successors to distinguish between national and international trade. Assuming the perfect mobility of labour and capital within a country, then, they say, each industry is localized wherever conditions of production are most favourable. Polivision of labour is carried to its highest point, and wages and profits are equalized throughout the whole of the country. In contrast to this, the circulation of capital and labour between one country and another is very difficult, and so the localization of industries and the division of labour cannot be completely carried out, and there is not the same equalization of wages and profits between different countries as there is within a single country. Nevertheless exchange of goods does take place, though not through equality of cost of production (or, as Ricardo prefers to say, equality of labour cost): it is determined entirely by the law of supply and demand.

Of the three propositions that make up the Ricardian doctrine none has been more keenly and more justly criticized than this one. Apart from the old objection to the theory that exchange is based on quantity of labour, or even on cost of production, it evidently cannot be a question here merely of simple differences of giver rather than of kind between domestic and foreign trade. No one dense that division of labour is more casily practicad within one country than between different countries, it but perfect mobility of labour and capital in one country is a myth. There are 'non-competing group,' as Cairnes had already pointed out. Farm laboures do not become factory workers,

In the American Employeds of the Senal Science, article on "Foreign Trade". This localization is limited, however, even in one country, by considerations of distance and means of transports, which Mill seems to have Engotics when he assumed,

for instance, that the whole of the shormaking undustry would be concentrated in a single part of London (Procylin, Book III, chapter xwi).

See the admirable comments of Leus on this subject in his article Hould in

Schoenbergs Construs, especially para 41

<sup>&</sup>lt;sup>4</sup> Cannan, in the address already mentioned, speaks anguly of Ricardo's "monatrous assertion," according to which the labour of too Englishmen cannot be exchanged by the labour of for (Liminos) Juntals, (1945, p. 327).

Russo ironically puts it.2 Yet post-war events have made all write admit the influence exerted on international commerce, at les temporarily, by a fall in the exchange rate. Without accepting t Ricardian doema, governments have not hesitated to base their cor mercial policy on this principle and to favour what has been called "exchange dumping." The whole problem has been clarified by ti suggestive work of M. Subercaseau. Chilean Finance Minister ar Professor at the University of Santiago, on paper money.2 He b. described for the first time, for the instruction of Europe, the innume able experiments made by South America, where the absence of an proportional relation between monetary depreciation on the exchange market and on the commodity market has so frequently been shown Taussig observes with his customary honesty that the problem ha been neglected by the early economists and scarcely less so in th modern period-a remark that applies particularly to the Anglo-Saxon economists, who have remained more faithful than others to the Ricardian tradition-for in eighteenth-century France it gave rise to many controversies.2 Taussig himself, departing from this tradition did not hesitate to recognize the influence of exchange fluctuations or international commerce and the possibility of a premium on exportation being maintained for a considerable time, in the event of a sudder

Space does not permit us to go into detail on the discussions arising from this problem, which has created an immense quantity of literature. Such detail belongs to special treatises on money and exchange. What matters here is to emphasize the imperative necessity of including exchange movements among the explanations of the international movements of goods. Otherwise they must either be denied—which is not possible in the long rum—or they must be constrained by complicated arguments to enter the strait waisscoat of a doctrine constructed in view of different circumstances. The great merit of the recent writers of whom we are speaking here is that they have not

fall in the value of a currency.

<sup>&</sup>lt;sup>1</sup> Fontana Russo, Traité de politique commerciale, French translation (Giard, Paris,

Subercaseau, Le Papier-monnase (Giard, Paris, 1926).

<sup>&</sup>lt;sup>2</sup> The feequency of monetages reviews and a delignation of the property of

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"The most important distinction to be made," he writes, "is not between the theory of international commerce and that of national commerce, but between a theory of prices for a single market and a theory of prices that is valid for several markets." (P. 141.) This statement relates not so much to international commerce, in the strict sense, as to what the author calls 'interregional' commerce, including exchange between regions in a single country.

(c) The last proposition implied in the Ricardian doctrine is that which assimilates all international trade to mere barter. Here the doctrine joins the old law of markets of J. B. Say. The proposition, though incontestable, throws very little light on the workings of international trade (for domestic trade is equally a matter of barter if we mentally eliminate the intervention of money), and is a conclusion rather than a starting-point.

Now the English economists, regarding it as a starting-point, have for a long time made great efforts to include the whole theory of international trade in a theory of barter. Marshall in particular, by using ingenious curves that were reproduced by Pantaleoni and modified by Edgeworth, sought to represent the whole of the mechanism of trade between two countries by the mere process of barter of two kinds of goods between two individuals. Ohlm was right in considering that these simplifications did little to elucidate the complex state of affairs with which we are concerned in real life.1 Here too, by setting aside the consideration of prices, we are making the question more obscure instead of clearer. Now, on this point a characteristic development appeared before the last war. In opposition to the kind of curve employed by Marshall some quite different curves were constructed by Cunynghame and Barone, who replaced the curves representing direct barter between two countries by curves of supply and demand

the greater costs of transportation in international trade, which is a purely quantitative difference; second, the presence of tariffs and other legal obstacles; and third. the fact that currences are dissimilar, and that a foreign exchange mechanism is therefore necessary. The principal objective distinctions between the establishment of internal and of international prices can be explained very largely in terms of these , three elements alone."

It is obvious that transport costs and customs tariffs, which may be regarded as adding to transport costs, constitute a difference of degree only, and not of kind. In frontier regions transport costs between one country and another may be much lower than between two parts of the same country. So all that remains of any real importance is the monetary difference.

<sup>&</sup>quot;These studies have served as a recreation for some of the keenest intellects among nineteenth-century economists, but in my opinion they have added little to

our real knowledge of international trade." (Ohin, p. 419.)

See especially Cunyughame, A Geoschwal Polincal Economy (Oxford, 1904), chapter x, and Batrone, Prompt & Economy foliace (Rome, 1908), Part III.

arest many waters or mainting be extinctions finitines only and confined interpretations Butter region - The Found was a direct working of the roots do no a Hingle a true dia annua al dia angele, and die dia acaebaea annea g wine the eith west of the west becauting so the profit as he made portion in fine. It a single commerce chains are the graphing distinguish the core wayne or fift with a white man so there are harmon the profit of Killimone embertak men some in the same industry's and those Hilling stance are eller greature as this more of this ministers in greaters, on the equipple as that I must be see the the other hand the immediate of expits and labour the was a left must countries in parely salation mand we per set also makifus a sole of behavior floors all breaks to the gold mines a the come of the number of the control of gold in Linterlie, California

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and "come and France". But went the transfer of expital from Europe to the touch Americal countries, to Canada, to Lake, and to Chine \* therement of vac untare to \* Is him been very well said by the American economical Williamsend of truming's time the iples in an article interioring judicially the whele of the Ka settion there's of international trade, that it is not the Ra section begoebrus of annobility that needs to be eited out, but eather but hypothesis of mubility of the free movement of the factors of great a tion within such country. This fact is even more evident over the vast area of the United States than elsewhere. Williams's article is important as marking the semi-official rejection of the classical distribe by the Lest American economists of to-day. One example of this rejection had already been even in Seligman, and Cannan in England was another. The same position had been taken up in Europe at an earlier thate by the most varied kinds of writers, such as Lexis\* in Germany, Amsaux in Belgium, Nogaro in France, and so forth-The only real difference between the two kinds of trade-national and international-is that the currencies of different States are themselves different, and that therefore there intervenes in this trade a currency market in which exchange rates are fixed-rates that must of necessity modify the prices of the goods of one country for buyers in another. That is the conclusion reached by Angell in the work already often

Article Handd in Schoenberg's Grandritt, pp. 868 ff. and 902.

Williams, The Theory of International Trade Recognitived (Economic Journal, June Angell, p. 371: "The essential differences between international trade and internal, with respect to the process of price determination, are rather these. First,

quoted. Ohlin adopts a slightly different and more general criterion:

ABANDONMENT OF DOCTRINE OF COMPARATIVE COST 659

less goods in country B. But it is impossible to say a priori which kind of country—such as an industrial country—will obtain greater advantage than another from international trade.

Taussig re-examined the whole problem, which takes a very different form according to whether the balance of the account is made up of varied elements, as is the case nowadays for most countries, or consists solely of goods, as was always assumed by the classical economists in their expositions. Taussig distinguishes between what he calls "net" terms of trade and "gross" terms.1 From the evidence of the index of prices he shows how these terms of trade have varied at different periods for England and the United States, becoming sometimes more and sometimes less advantageous. Such an investigation is by no means devoid of interest, although its importance may be a rood deal less than the classical economists imagined. All that can be said is that Taussig's method is in any case far superior, as an index to the advantages of international trade, to the method-long condemned but still too often employed in modern controversies, and even in some official reports-which consists in taking the size of the trade 'deficit' or 'excess' as a criterion of the more or less favourable situation of a country in its foreign trade.

What it comes to is this, that the Ricardian economists believed they could simplify the theory of international trade by leaving money out of their calculations, whereas in reality they made at more complicated. In the theories of economists like Ohlin and Aftalion money again takes its normal place, with the result that the necessary link between the foreign purchases and the sales of any country, which the classical economists tried to clucidate by assimilating trade to barter, becomes much clearer by the intervention of money. They observe quite truly, for instance, that every additional sale made by France to another country gives her possession of foreign currency it, of increased purchasing power elmed. This purchasing owner must operate, in one way or another, exactly as the additional purchasing power acquired by an industry through an increase in sales

¹ This is how he defines them at p. 113. "There are thus two ways of looking at the batter terms of trade. One may be indicated by the phrase 'gross batter terms of trade,' the other by 'net batter terms of trade.' The first regards the whole volume of goods, both imports and exports. The second regards those goods only which pays for goods; it demarkates any movement of goods which serves for other bawments."

<sup>&</sup>quot;We are of the same opinion as Chlon, who writes for vary in their playments."

"We are of the same opinion as Chlon, who writes for vary in the old question of which way in which the benefit string from the extlabelment of an extra divided between the trading counters is artificial and of luttle accinition or practical importance. Such is, . . Oksumpt what the same do play out it was any unportance at all . . . Oksumpt what the same do play out it was the me much stall level, who there much stall level, when the same constraints of the same constraints of the same constraints of the same constraints."

in the exchanging countries, especiagned one on the other, from which are shall well on the one hand the fitting of the price of the interestional forested the goals enhanced, and on the other had the given of making for the continues and produces. Here aris in this is of the rate falme of the goals is family alumbored and a returnable to the continues of the goals is family alumbored and a returnable to the continues of the other as the interest to importation and expectation. The development, letter noticed but explicates actually next the facility absolument of the Resistant return for the nucleonist the continues of actually positive to a support the shall be supported by the nucleonists. Cancing protected returnment in fat address to 1933, after all quantity against the idea that the conception of future is approprised to international truth.

We want an entire alandamment of the stupid instruct on international trade lenge, instally laster, of course, all trade is situally laster, when you drop the internang money out of the picture and think only of preson producing one set of goods and services for other people and receiving another set from them in exchange. It is the intervention of money which turns barter into which good beying, and lat from eliminating money, international trade usually involves the intervention of not only one money, but two different moneys 1.

The graples presentation of international trade in the form of batter made possible to the classical economists and their successor the simplified examination of a problem to which they attached considerable importance and to which they tred to find a general solution, though in reality its solution varies with men and circumstances. It is a question of what Anglo-Saxon economists call the "terms of trade." What does this mean? The batter of two commodities can take place only between maximum and minimum limits, above and below which one of the two countries would no longer reap any benefit from exchange. Between this maximum and minimum the advantage are shared between the exchanging parties, but in different proportions, as the "terms of trade" are more or less favourable to one of the

parties. Mill, followed by his successors, elaborates at some length the division of these advantages between an industrial and an agricultural country, and between a large one and a smaller one. Starting from considerations of price alone, we find at once that awarding is price resistant utilities each country to the same quantity of exports from country A will enable it to procure sometimes more and sometimes

<sup>&</sup>lt;sup>1</sup> Cannan, The Need for Simpler Economics, in the Economic Journal, 1933, p. 577.
<sup>2</sup> Reboud has explained this conception in detail and with the greatest clearness in sec. if of chapter if (on the theory of international trade) of his excellent Pricis discounts principle (Vol. II, pp. 196 f).

by taking account of differences of wages in different industries and of differences in rates of interest. He thus manages, after making these additions, actually to explain international trade by means of prices even more than costs. In one particular case he is even obligated save said above, p. 63g a, 10 introduce the latter of consumers to ustify an exchange in which its utility cannot be satisfactorily exalined by an increase in the quantities obtained by the exchanging sarties. He declares also that the notion of test as used by the Classical chool is very difficult to define. J Why, then, does Tausage remain isithful to the theory, despite the penetrating enticisms that he levels expaint it? The reason seems to lie in two circumstances regarded as particularly important by this great observer of reality, who was in regular contact, by reason of his profession, with industrial development and the effects of the customs tariff. It will be as well to dwell for a moment on these circumstances.

The first is that in the existing economic system international trade deals with an increasing number of products that originate not from natural differences, such as climate, latitude, and soil fertility, but from differences in industrial development. The great volume not only of manufactured products but of instruments of production (machines, agricultural implements, boilers, cables, etc.) that are included in the imports and exports of the great countries of the world, are constituting an ever-increasing part of this trade. This is the case, for instance, with the United States, as well as with the industrial countries of Europe, which are each other's best markets for this kind of product. How are we to explain this important fact, to which it is very expedient that attention should be drawn? The explanation, according to Taussig, is the greater efficiency of labour in the countries that export these products. By this is meant that the cost in labour of products of this kind that enter into trade is less in the exporting than in the importing countries-that with the same expenditure of time and the same number of workers the former produce more than the latter, so that the prices of the products are lower. So international trade is determined by the greater efficiency of labour, which is another way of expressing 'relative cost.' Taussig furnishes many interesting examples of this, and concludes from them that the 'cost' theory provides the best explanation of this important fact that was certainly worth emphasizing.

<sup>3</sup> See his chapter av. "Cast in labous," he explains, does not mean what it means to accountant and employers—as, the price paid for the labour embodied in a unit of product. It is the quantity of labour (meaned in hous) that is devoted to the making of a product. And the quantity, he adds, is very difficult to discovers, and sull more definite to compare with others.



and as common sense had already discovered—is to be found in the unequal distribution among different countries of the 'factors of production,' whatever they may be: natural forces, capital, and man-power. Not only are these factors themselves divided into subdivisions (man-power is of different kinds in the same country as well as in different countries), but their relative abundance varies. The United States, where man-power is scarce and natural resources are abundant, has triumphed on the international market first by the cheapness of its agricultural products and then, when industry had developed, by the perfection of the mechanization employed to replace this scarce and dear man-power. All these elements could not be summed up in the single conception of 'cost in labour' or 'efficiency' of labour.

What gives Taussig's book its great value—apart from the expository gift that recalls the seductive clarity of the best pages of John Stuart Mill—is the analysis and description of a multitude of facts drawn from the writer's practical experience, which have a savour all their own, and are rich in lessons of all kinds, even if one does not accept his general theory.

#### II: THE PROBLEM OF REPARATIONS AND THE MECHANISM OF INTERNATIONAL TRANSFERS OF CAPITAL.

Apart from exchanges of goods, transfers of capital are one of the essential elements of international commerce. But the classical economists gave them hardly any attention. Economists of the twentieth century—the period of great international migrations of capital—cannot neglect them. The payment of the war indemnity in 1918 provided the occasion for a recompileration of the whole problem.

The payment of a war indemnity, involving the transfer of a considerable sum by one country to another, is no novelty. France experienced it twice in the inneteenth century, first in 1815 and again after the Franco-German War, the sums involved being 900 million finance in the first case and five milliards in the second We are very inadequately informed as to the method of payment on the first cocasion, but for the second we learn from the famous report of Léon Say to the National Assembly in 1875 that it was mainly effected by bills of exchange, and especially bills on Lendon. But how could

<sup>1</sup> See Charlety, Hutoire de la Restauration, pp. 114 f.

The method of payment of the Franco-German indemnity and reparations has been explained with perfect clarity by Reboud in his Prici (published by Dalloy). But the interesting chapter on war indemnities in Tauning's International Tracts about the state of the Pricing of the Pr



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To this it may be replied, however, that it is really still the privatual is the determining factor here, and not the cost, which is almost impossible to measure. If America, for example, makes certain great standard products such as agricultural implements, calculating machines, etc., more cheaply, it is because of the widespread use of machinery for making them, the organizing ability of their managers, or the skill of their workmen—all enrumstances leading to the chapness of the American product. How are we to evaluate in labour cost the part played by machiners or by technical skill? We can try to, of course, but only by the and of analogies and hypotheses far removed from reality.

There is a second consideration that causes Tausing to uphold by cost theory, and that is that the scale of wages may be very high in one country without raising the price of products exported above the price of similar products made in other countries by less well paid workmen. And evers one knows what a large part is played in American protectionism by the desire to protect high wages. To met this argument, which he considers inaccurate, and which, indeed, is for the most part maccurate, I causing tries to show that it is cost in labour and not the scale of wages that counts in international competition. The latter may be high when the former is law, because the hours devoted to the production of a given commodity are fewer than elsewhere. In this again the reply is easy, it is not only in fureign trade but in domestic trade also that high wages are perfectly comsibile with a low price of goods, provided that the reminiment and excess of exports of goods (though this is still often looked upon by ill-informed publicists as a stroke of good fortune in French commercial history!).

In short, the transfer of the Franco-German indemnity (apart from a few hundred millions paid directly in gold and silver coin or in German notes and the cession of the railways of Alsace-Lorraine) was accomplished for the most part by bills of exchange directly provided by foreigners or Frenchmen who had sold their foreign capital, and for the other part by an increase in French exports to Germany, whose yield in marks served to effect the payment required.<sup>1</sup>

As for the theory of the transfer of a war indemnity, this, in spite of Léon Say's opinion, had been already formulated before the events of 1871. It is to be found in a noteworthy passage in Mill. It is true that he describes the mechanism in a different form from that which the France-German operation was so efficiently performed, and that is perhaps why Say did not mention it. Yet Mill's description overs part, at least, of this operation. "Commerce being supposed to : in a state of equilibrium when the obligatory remittances begin," 5 28378.

the first remittance is necessarily made in money. This lowers prices in the remitting country, and raises them in the receiving The natural effects that more commodities are exported than before and fewer imported, and that, on the score of commerce alone, a balance of money will be contrastly due from the receiving to the paying country. When the debt thus annually due to the tributary country becomes equal to the annual tribute or other regular pay-

country becomes equal to the annual tribute or other regular payment due from it, no further transmission of money takes place; the equilibrium of exports and imports will no longer exist, but that of payments will; the exchange will be at par, the two debts will be set off against one another, and the tribute or remittance will be virtually paid in goods.

There are two points to be noted in this remarkable passage:

Principles of Political Economy, Book III, chapter axi, pura. 4.

We may note here a couple of historical points that are important for no underturbing of the mechanism of the indemnity, (1) When France had applied Gernaming of the mechanism of the indemnity, (1) When France had applied Geranning on London, and this reports extend down antively to the Cuty or better than one cession. On this point see an interesting article by Nowhold on the berjoining the critical of 13 just to Hastorical Supplement to the Ensumy James for January 1912 (1) Germany hered (3d not except the inconvenience caused by the sudden flux of more, that the payment of the indemnity involved, n.e., a nother nacreasn imports, no increase in her monetary curtulation, a rose in proce, exceived investment of crettal in housens understanding, and so both. Such circumstances conment of crettal in housens understanding, and so both. Such circumstances conbined to the rest of the Conferent. This was used in Vienna to this and special flowers to the rest of the Conferent. This was understanding the contraction of the contraction o

such a quantity of bills be collected in such a short time? Léon Say admits that he does not know: "If we knew," he says, "we should have an explanation of what would have been improbable, so to speak, if it had not actually occurred, but the theory of it may be said to have partly escaped us." Now, however, we know the origin of those bills. They came either from subscriptions by foreigners in foreign currency to the two liberation loans, or from French subscriptions made sometimes directly in foreign currency by Frenchmen who owned it, and sometimes from the proceeds of the sale abroad of foreign securities belonging to Frenchmen.2 This accounts for the relatively slight rise in the price of foreign stocks in Paris, which Say's report notes with satisfaction though with a little surprise. In other words, the pounds sterling, or money easily convertible into pounds, that the French Government needed, was obtained, directly or indirectly, from the subscribers to its loans. All that was necessary then was to remit these moneys to its German creditor, the eventual transfer being shifted on to the country whose money was thus handed over to Germany-i.t., England. But another part of the money came from a different source: it was provided by the excess of exports that the French balance of trade showed quite exceptionally in the years 1872-76. Leon Say regards this as merely a fortunate coincidence,2 but there is no doubt that this temporary excess of exports was a consequence of the payment of the indemnity, for a transfer of capital results normally in a transfer of goods, in a way to be dealt with presently. This fact has been emphasized by C. Colson in his great treatise. The same exceptional excess of exports was seen later on at the time of the great fall in the value of the franc between 1922 and 1926, when the prolonged depreciation of the French currency led to an export of capital abroad, and the result of this phenomenon on the balance of trade was a temporary

also be consulted, as well as Moulton's Reparation Payments. I might also refer the, reader to the chapter on reparations in my own Fisances de guerre de l'Allemagus (Paris 1921), which contains an outline of the history of ideas about war indemnities.

<sup>1</sup> See Rapport no Fundament do garre, printed at the end of the French edition of Conchern's Thorn of the Foreign Exchange (Paris, 1802), p. 415.

Goschen's Thory of the Foreign Exchanges (Paris, 1892), p. 313.

\* The French owners of foreign securities sold them for foreign money which they offered on the exchange market to the French Government, and the Government

bought it with france obtained from suberiptions to its beas.

"Immediately after the war," be write, "French expert developed considerably
They suspaned in importance all that had been produced before and showed what
had not perviously been seen, rec, an excuse over imports of 3th million fraces is
167s and 167s. If the excess had been the other way there is no doubt that
estimates of the war indemnity would have more with one of the other way.

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controversy and an abundant output of literature of very varied quality, most of which deserves the oblivion into which it has already fallen. One book emerged, however, which had a resounding success and much of which is still instructive. Thus was The Economic Consequence of the Peace, by J. M. Keynes (alterwards Jord Keynes), an official of the British Treasury, a delegate to the Peace Conference, and already the author of a notable book on Indian Curruny and Finance and a Treatite on Probebility. But it was his book on the Peace that made him famous. In it he recalled certain fundamental truths that appeared paradoxical to the ill-informed public, that were new to many statesmen, and that many economists affected to forget, though they were merely applications of the classical doctrine formulated by Mill. Since Germany had lost by the war nearly all her foreign properties and even her gold reserve, and was unable to call on foreign credits so long as her currency remained unstable, the methods advented by France in Risk were not now her. There could be no

was for a very long time not even determined, so that the whole problem assumed a tiresome air of indefiniteness, and what would be the consequences of payment? These two questions gave rise to prolonged

Mill. Since Germany rate rost by the water seatly at the consequence perties and even her gold reserve, and was unable to call on foreign credits so long as her currency remained unstable, the methods adopted by France in 1873 were not open to her. There could be no question for her of any other payment than in goods. She found herself in the timpliffed situation imagined by Mill. It was creatin, said Keyner, that Germany could not make her annual payments except by diminishing her imports and increasing her exports—i.e., by setting up a favourable balance of trade, which is the best way of making payments abroad. Germany could in the long run pay in goods, and in goods alone, whether they were delivered direct to the Allies or

up a lavourable balance of trade, which is the best way of making payments abroad. Germany could in the long run pay in goods, and in goods alone, whether they were delivered durect to the Allies or old to neutrals, the credits thus obtained being handed over to the Allies or health of the classical doctrine, Keynes showed that most of the products that Germany could export competed with those of the creditor countries. Reparations, therefore, could not exceed a moderate figure without upsetting the entire world economy. The success of Keynes's book was considerable, and it contributed largely towards converting the governments to a thesis whose correctness could not but be recog-

nized by economists and financiers in every land. It triumphed eventually in a famous document, extremely instructive to economists, that has become part of the classical literature of the subject, like Léon Say's Report. This is the Dawes Plan, named after the American

(1) the statement that a transfer of capital between two countries is accomplished essentially by a transfer of goods or services: (2) the statement that this transfer is dependent on a previous alteration in trice levels in both countries due to an initial export of gold which, by increasing circulation in one country and diminishing it in the other, is actually the motive power that starts the whole mechanism. The first of these points is not open to dispute, but it needs to be completed. We have just seen that in the case of the Franco-German indemnity the direct handing-over to the creditor country of foreign assets possessed by the debtor country may partly relieve the latter of having to pay for goods by providing gold or services equal to its debt. It then shifts this burden, at least temporarily, and only in respect of the part that its creditor means to return, on to the countries that subblied the broberty that is handed over. In this way the transfer of the tribute money is broken down, as it were, into movements of goods or gold divided between several countries and several periods of time.

Mill's intention was to set forth only the essential part of the phenomenon—the fact that a transfer of capital takes place as a nile in the form of goods. He did not consider those other methods that modern credit facilities and the possession of capital abroad have put at the disposal of debtors for paying their debts—methods which are actually of great importance.

On the other hand the mechanism described by Mill, through which the flow of goods is set going, has met with increasingly numerous objections The role unanimously assigned by economists (from the days of Hume, Ricardo, and Mill down to the First World War) to movements of gold in causing differences of price level between two or several countries was no longer in accordance with observed facts, not only in cases of 'tribute' but in the far more frequent cases of foreign loans, interest coupons, or temporary excesses of imports to be paid for by one country to another. In all these cases gold has actually played an insignificant part, and so economists have been led to examine more closely the mechanism of capital transfers. A new doctrine has been gradually evolved that is nearer to economic reality to-day. The authors who have contributed most to its formation belong to different doctrinal schools and to very different countries. Thus we find among them the names of Ohlin in Sweden, Aftalion in France, Taussig and his pupils (Angell, Viner, and Williams) in the United States. Rueff, although more akin to the Classical school, has made his contribution to the revision of the classical conception. We will try to summarize the conclusions reached by these economists.

The occasion of this general revision of the classical doctrine was

purchasing power determines the international movements of goods and also price movements, without the intervention of gold. To make this clearer Ohlin starts by considering what happens between two countries with the same currency when one lends to the other.1 For instance, when England lends to Scotland there is a simple transfer of English purchasing power to Scotland. If the products bought by the Scottish borrowers are exactly the same as

those required by the English, there will be no change in the production of the two countries: products to the value of the loan will simply be dispatched to Scotland instead of England. The Scottish trade balance will become a debit balance and the deficit will be paid by Scotland to the English suppliers with the funds that have been borrowed and have remained on deposit in England. This assumption, however, is an improbable one; there is not likely to be this identity between the products demanded by the Scots and those demanded by the English with the same purchasing power. Scotland will un-

the two supplement each other and both start from the ame fundamental idea, already indicated above, which may be summarized as follows. Every selling or borrowing operation that puts the beneficiary in possession of what Aftalion would call "income" and Ohlin "purchasing power" leads directly to movements of goods, except in cases where the beneficiary is paying debts or investing the money as capital. These results occur in domestic transactions as well as foreign ones, the only difference being that in the latter case the money to be spent by the beneficiary is foreign, not national, currency, and cannot therefore be employed except abroad. But the mere existence of this

doubtedly increase her demand for her own products. If, for example, the loan is intended to create new undertakings in Scotland itself, part of the money will be spent on new buildings in that country, Hence there will be a tendency for some prices in Scotland to rise, whereas England, deprived by the loan of part of its purchasing power, will find the price of some of its own products falling. This fall in English prices will in turn stimulate Scottish purchases in England, creating a Scottish trade deficit which will be paid as before, without

any monetary disturbance, by the English funds lent to the Scots. The price changes result from the mere changes in purchasing power, <sup>1</sup> In what follows we are merely summarizing Ohlin's arguments in chapters xix and ax of his principal work. 20

imports into Germany. For the restoration of Germany's monetary stability by the Dawes Plan itself recreated Germany's credit and attracted foreign capital to that country. This influx of capital enabled her both to pay her debt by the help of the foreign money thus obtained and also to import goods in great quantity. Owing to the Dawes Plan Germany found herself in a position to use similar methods to those of France in 1879, which had enabled that country. through the system of international credit, to pay off her debt in due course. The simplified mechanism described by Mill and Keynes, though logically true, gave place in real life to a more complicated mechanism. Once again monetary stability was shown to be the necessary and sufficient condition of credit, and this credit the sole

and the composition of the composition and the composition and the composition are composition are composition and the composition are composition and composition are composition are composition and composition are composition are composition and composition are composition and composition are composition and composition are composition and composition are composition are composition and composition are composition are com 'tributary' country, there was witnessed an enormous increase of

means of accomplishing a payment on such a vast scale, Many writers, as we have said, had long been sceptical as to the part played by movements of gold in the process of transfer of capital. It was said first that in the case of great international loans the amounts

of gold exported were very small, and it seemed unlikely that they could by themselves cause such an alteration in the price level that the export of goods was appreciably stimulated or checked. On the other hand it was remarkable how easily and quickly movements of goods began, corresponding to movements of capital, without any apparent disturbance of the money market, whereas an influx of gold can only slowly influence prices. Even authors who were most devotedly attached to the classical theory, such as Taussig, expressed doubts. "What is puzzling," wrote Taussig, "is the rapidity, almost simul-

stage of gold flow and price changes is hard to discern, and certainly is extremely short." And again: "All in all, we have here a field quite insufficiently explored The plain outstanding fact is that the exports and imports of goods adjust themselves, if not at once, certainly with quickness and ordinarily with ease, to the sum total of a country's transactions with other countries. The balance of payments is satisfied only to a slight extent by any shipment of specie, chiefly thru [sic]

taneity, of the commodity movements. The presumable intermediate

changes in the commodity sales and purchases."2 But the question then arises, If it is not through the movements of

1 Taussie, International Trade, p. 261. 2 Ibid., p. 263.

country. These exports will be paid for with the surplus of the loan deposited in the banks of the lending country, and thus the transfer of the loan will be accomplished entirely in the form of goods or services. (3) Finally, the abundance of bills on the foreign country will compel the banks receiving fleese bills, which are equivalent to a surplus of cash, to expand their credit. This causes a new tendency towards a change in the price level between the borrowing and the lending countries. This is the moment when the banks of the borrowing country may be tempted to draw money from the lending country to increase their reserves. These imports of gold are then the consequence and not the cause of an increase of credit. They will take place automatically by the lowering of the price of the bills below the gold point in the country where they have become superabundant.

export of goods or services from the lending country to the borrowing

Such, then, are the stages by which a foreign loan will be eventually transferred almost entirely in the form of goods or services from one country to another. These transfers may be accompanied by a movement in the opposite direction of short-term loans; the banks in the borrowing country lending to those in the lending country so as to profit by the rise in the discount rate, which will help to prevent or reduce the sending of gold.

The manner in which a loan is transferred from one country to another is caplained by Afalian in a very similar way. Starting from the fundamental principle that there is necessarily equality between the income of a country and the value of its products—expressed by the equation I = PQ, where I is income, P is price, and Q is quantity of goods and services—he concludes that every additional purchase of foreign products by one country, or every loan granted by that country to another, causes a change of income, which in turn causes price changes between the two countries which lead to movements of goods from one to the other.

1"By purchasing great quantities of forceps goods imported into the country, those individuals whose incomes are to that extent diminished reduce their purchases of home-produced goods. The capacity of the home market to a horst goods is decreased home-produced goods. The capacity of the home market to a horst goods is decreased home-produced goods. The capacity of the home market to a horst good is decreased from the capacity of the capac

of Scottish sales in England and an increase in the Scottish trad deficit. On the other hand certain short-term operations will resu from this situation, for the Scottish banks now possess abundar resources, while the English ones find theirs depleted by the amount of the loan. So the former will be disposed to grant credit more readil and to lower their discount rate and the latter will do the reverse Hence a stream of short-term loans begins to flow from the Scottish to the English banks-in the opposite direction to the long-term stream-which will prevent the sending of gold by the lender to the borrower. Or the other hand, the credit facilities will produce in Scotland an additional activity whose influence will be added to all the preceding one to increase Scottish imports and cause a new trade deficit that Scotland will pay with the borrowed funds deposited in England. So there we have a series of effects due not to any transfer of money but simply to a change in the ownership of purchasing power handed over by way of loan; trade deficit in Scotland, price changes, with a general tendency to a rise in Scotland and a fall in England; shortterm loans by Scotland to England; more or less strong inflation of credit in Scotland and relative deflation in England. Is it not natural

to think that this same mechanism might operate between two countries with different currencies, without the need of any previous transfer of gold from one to the other to explain the price changes and set in motion the series of repercussions of the loan? That, indeed, is just what Ohlin thought, and this is how he sums up the different stages by which the foreign loan is paid in the form of goods and services by the lender to the borrower, without the intervention of any movements of gold: (1) If the borrowing country uses abroad the total

amount of the loan there will be no need of any previous transfer of gold. The borrowing country has at its disposal in the lending country a sum in foreign currency which he merely has to spend directly in that country, so gold is not moved. (2) But the borrowing country will without doubt want to use part of the loan at home, which is equivalent to withdrawing from the lending country part of its ourchasing power to be spent in the borrowing country. This withdrawal will be accomplished in the simplest manner by remitting to the banks of the borrowing country bills on the lending country, in exchange for which the banks will remit to the holders of the bills either by cheque or by national bank notes. This increased purchasing power

of payments ushin one country. Here also the first step was to explain certain price changes by gold investments and then to revert to a simple explanation by income changes. Although it mears going back to the eighteenth century it will not be out of place here to recall this little-marked pistode in the history of economic ideas.

Cantillon, in a noteworthy chapter marked by all his customary depth of vision, seeks to explain how equilibrium is brought about between two regions of the same country, and especially between the capital and the provinces. For this purpose he has recourse to the mechanism of the circulation of gold. Observing that the capital always has to receive very considerable sums of money, as payment of taxes or rents of landowners living in London or Paris, so that the capital is thus a creditor of the provinces, he writes, "This debt paid in specie will diminish the quantity of money in the provinces and increase it in the capital, so that commodities and merchandise will be dearer in the capital than in the provinces by reason of the greater abundance of money in the capital." This inequality of prices between the capital and the provinces, he says, will create a flow of goods from the latter to the former which will enable the deficit in the provinces to be paid for, In this way Cantillon applies the quantity theory pure and simple to a debit balance between two different parts of the same country According to him it is by movements of specie and their influence on prices that the mechanism is started, exactly as in the classical theory in the case of international trade.

No one to-day would dream of explaining this phenomenon by such an over-simplified application of the quantity theory of money, All we should any is that since the scene to be received by the capital is much larger than that due to the provinces, and since the capital is much larger than that due to the provinces, and since the capital annot make all that its large population needs, the septializer of this income causes the sending of commodities from the provinces to the capital, which make is a debtor to the provinces, and in this way the equivalence of credits and debts is established. The carculation of specie and its effect on prices have nothing to do with the matter. In other words the explanation of internal exchange equilibrium by the conception of income has been quietly substituted (for so far as we know there has never been any controversy on the point) for a quantitative explanation by the influx of gold and the resulting changes in the price-level.

A little reflection will show that Cantillon himself mixes up two notions: the expenditure of income and the transfer of specie. In his

<sup>&</sup>lt;sup>1</sup> Cantillon, Essai per la sature de commerce, p. 150 (ed. Higgs; London, Macmillan, 1931).

and consequent changes in the total monetary circulation of the two

countries" (p. 150). Angell's conclusions agree closely with Ohlin's 1 Rueff begins by expounding the theory of the re-establishment of

equilibrium according to the classical formula which as a first anproximation, considers effective transfers of gold giving rise in their turn to price changes. But even he is led, in passing from theory to practice, to recognize that things do not happen as simply as that. In cases of exchange disequilibrium it is not usually the stock of money in circulation that diminishes, but the gold held in reserve by credit

institutions. These changes in the gold reserve in turn cause a rise in the discount rate in the exporting country and a fall in the importing country, a restriction of credit in the former and expansion in the latter, and in consequence a fall of prices on the one hand and a rise on the other, leading in their turn to movements of goods or securities.2 But in Rueff's view it is the movement of gold that starts the restoration of equilibrium, whereas according to Angell and Ohlin these

movements are the result, and not the cause, of previous movements of purchasing power. In the opinion of these writers the changes purchasing power and their influence on prices take place ind pendently of any movements of gold. On this point there is marke disagreement between the old conception and the new one whic

seems to us much nearer the truth. A similar evolution of ideas has taken place in regard to the equilibriur

the margin between the two markets. Foreign purchases and sales will thus ten towards a new position of equilibrium, reaching together three or four milliards o even more. The inequality appearing between income and disposable production will speeduly put an end to the risk of a deficit in the balance of accounts." (Aftalion

L'Equilibre dans les Relations économiques internationales, p. 151.) 1 "The essential feature of the older analysis of mechanisms," says Angell (p. 418), "lies in the role assigned to specie flows. These flows were regarded as both certain to occur, and as being fairly rapid in their effects. Here, on the contrary, they have been relegated to a minor place. . . . The ultimate key to the maintenance of equilibrium in the balance of payments in the face of enduring disturbances, and the key to the problem of international equilibrium at large, must be sought in another direction. It lies in the effects that a persisting change in the relation between the demand and supply of bills of foreign exchange produces upon the volume of purchasing power in circulation, and through it upon the general level of prices.

"The analysis to this point has rested on the assumption that the countries con-

cerned maintained common metallic standards of money." \* Rueff, pp. 212-319.



received by them in specie and then redistributed to the provinces through the traders of the capital, who are thus enabled to draw from the provinces the products demanded by the Parisians. But even in the eighteenth century this procedure had already been much simplified by the bankers. And in the monetary system of the twentieth century, when new methods of payment have taken the place of movements of metallic money for internal trade, and transfers of income are accomplished almost without any movements of specie (this being confined to a single national reserve), the explanation by the greater or smaller abundance of specie and its effect on prices is even further removed from reality. A separation has impercentibly been made between the idea of income and that of payment in metallic money.

problem will show. He admits that the incomes of the Parisians are

in international payments. A creditor country can either spend dire abroad the income that the loan provides it with, or create at a at home and in its own currency the means of payment which at be transferred to it by another country, through the mechanism eredit that dispenses with the movement of gold. The reduction income in a country is also accomplished in the same way by a me ment of bank deposits or notes. No longer are the transfer of ince and the transfer of gold identical operations, and theory has co more and more to separate the two notions of income and meta money in the international as well as in the national sphere. ascribes to movements of income (or purchasing power) the effiwhich used to be attributed exclusively to movements of meta

A similar though less complete development has taken place

money.5 Differing views about the mechanism for restoring the exchan broke out into a suggestive controversy, started by an article by Key in 1929 on the subject of the Young Plans that was to replace Dawes Plan. Keynes again took the view that in the long run (a despite the loans granted her in the foreign markets up to that tin Germany could pay only in goods, and he was frightened by t We have explained this development elsewhere by showing that the creation back depasts and more by credit is simply one way of making metallic more execulate without disclaring it.

The armire by Keynes, Otlin, and Rueff appeared in the Resonn James

1933

just as well to the establishment of equilibrium between different industries in one country, or between different regions of the same country when one develops more rapidly than the others. It is a general method of interpretation, rather delicate to handle, but much closer to reality.

Finally, it should not be necessary to stress the fact that the sudden introduction of a new element into the system of international trade, such as the payment of a war indemnity or credit operations on an unaccustomed scale, is bound to have repercussions on the entire economy of the country in question. During the ten years following the First World War these great transfers of funds caused much disturbance to money markets and even to commodity markets. Along with the monetary instability and the inevitable fall in price that always follows the rise caused by a prolonged war, they contributed also to the economic uncasiness that persisted so long after the were

In this respect, also, the classical theory of international commerce, by which the equilibrium of debits and credits seemed to be established or restored with incomparable simplicity, has been shown to be at fault. Tausig called attention to this forcibly in the following passage:

The Ricardians imagined that changes in prices would follow quickly and smoothly from the inflow and outflow of specie; goods would also move in and out of the country with case and prompte, six he whole machinery would work without giving any trouble, without disconcerting either the business world or the public Terantry or the observing economist. The intellectually courageous programs of the properties of the properties of the public programs of the properties of the prope

It is to be hoped that this lesson will not be forgotten in the future.

### III: THE INFLUENCE OF INTERNATIONAL TRADE ON NATIONAL PRICES

Here is another long-neglected problem that has suddenly become of great practical importance through the war and the computing anationalization of all economic systems. What is the effect of international trade on national pracelevels? It ought a prior to assimite problem of the property of the prope

<sup>1</sup> Taussig, International Treds, p. 276.

of capital. Rueff, on the contrary, asserted that the elasticity of commercial movements had been proved many a time by experience. It had been proved particularly by the extraordinarily rapid restoration of the French balance of payments when France was suddenly deprived of the support of American loans in 1919. The ease with which imports and exports of goods were readjusted at that time emphasized the elasticity of commercial movements and their dependence on movements of capital.

A little later Aftalion devoted a chapter of his fine book on L'Équilibre dans les khanges internationaux to the same question. "Do goods follow capital?" he asked himself, and he came to the conclusion that as a general rule, and apart from certain exceptional cases, the trad balance adapts itself to the needs of the balance of payments. Es perience shows, indeed, that countries owing either interest or capit are distinguished in general by an excess of exports, whereas credite countries are characterized by a trade deficie.

By the discussions that they aroused, then, the payment of German reparations and the repayment of the inter-Allied debts to the Uniter States resulted in a general revision of ideas hitherto held as to the means by which the balance of payments is brought into equilibrium The means are similar to those employed in internal payments, and the resemblance between internal and external trade is once more established. The reintroduction of purchasing power instead of the comparison with barter in explaining the equilibrium of international trade has been equally fruitful of results in other spheres. By starting from the idea of a transfer of purchasing power it is possible, in particular, to consider the influence exerted by the development of one particular industry on other industries in the same country. Thus the progress of the motor-car industry, or the wireless or the cinema, by increasing the incomes and purchasing power of these new industries, alters the demand for the products of the older industries and causes reactions on their part to get back the markets they have partly lost. These reactions tend in general to lower the prices of their products so as to get back their former incomes by wider sales. This is a simple application of Rueff's principle of the conservation of purchasing power. The progress of one industry leads immediately to a new distribution of the demand for the products of other industries and a readjustment of production in general. In these reactions is to be found the clue to that general lowering of prices that accompanies the progress of production when it is not compensated by a simultaneous creation of new monetary instruments. Thus the theory of equilibrium between international purchases and sales can be applied

employment of numerous imported preducts and are naturally subject to the influence of the proces of these. The proce of wooden houses, In instance, will be affected of percents by variations in the price of timber on the great markets. It is the same with food products. The price of feeden butter will affect the price of 'national' milk, became the more foreign butter is imported the smaller the demand is 'national' milk to make into lotter, and the will tend to lower its price. The price of 'national' fats will have according to the amount of oil products imported. Again, the price of 'national' appler will be influenced by that of bananas or oranges, which are relativites for them in everylas committeen, and as both. Advocates of arricultural protection make read use of these repercusions as arguments for demanding the probabition not only of a single commylay but of a whole group of commodities capable of meeting the same tend. These influences operate the more strongly the more transport facilities are perfected, so that arrest to markets is made easier. In short, the hunds that connect proces in one country to there in other countries have become so numerous and so close that we cannot imagine a tise or fall at one point without expecting repertunion at all other points. Hence arms the striking similarity between the trend of processives numbers in countries on the same monetary standard

But, on the other hand, it is now the low certain that in the case of many retimedities there are often counderable divergences in pince letwern bear countries, and these divergences are sententines remarkably permanent. How is this to be explained? They are particularly mainted in the pinces of kersica, and alone all in the pinces of labour It was in regard to these that a theory of pince variations between offerent countries was given its first rough coulder. Recardo was the fant to formulate it, and then, a lattle later, Sensor gave it much more precision in his look entitled. Their Lecture is the Cast of Ottomay Mony! Sensor's thesis is unimised up in the following two propositions:

\*Indian, Marey, 18ya. The most important passage is at n. 4, "In fact the proteins and the persona menta and the universality of this demand for the mode the abuse form a destination of the demand of the mode, the abuse form a destination of the demand of the mode, and the shadaus for the abuse form a destination of the demand of the shadaus for the abuse form a destination of the shadaus for the shadaus for the shadaus for the shadaus of the produced. And consequently that if one man can by appears to the real-produced. And consequently that if one man can by appears a larger to appear a larger to the shadaus of a larger capital, or by deferring four a factor when the produced. And the shadaus of the

between the prices of products, but also between the prices of services in different countries? And are we not justified in speaking of different price-levels in different countries? In this case is not currency devalution the simplest method of restoring the equilibrium that has been destroyed? This is a strictly practical problem that statesmen call upon economists to solve.

The answers given by economic science to these questions were, it must be admitted, both fragmentary and inadequate, and some theories which had formulated solutions—like that of Senior—were well-nigh forgotten. So the whole question was brought forward anew, with results that are certainly not very satisfactory, though they deserve mention, if only because of the fame of the economists associated with them and the very difficulty of the questions raised.

Two main facts were obvious to observers: (1) Between price-levels in countries with the same monetary standard there is a very striking agreement in the rate of movement. This was shown throughout the nineteenth century between gold-standard countries, and was confirmed by the worldwide fall in prices after 1925, and still more after 1930. (2) On the other hand, between the price-levels of different countries, as revealed by index numbers, there are at any given moment diengeness that persist despite the general similarity of their movements. How are we to explain these two apparently contradictory facts? How can we recombile the parallelism of the general movements and the relative independence of the price-levels?

On the first point recent writers, especially Angell and Ohlin, have done little more than confirm and give precision to the older ideas Ohlin distinguishes two kinds of prices: those of commodities consumed on an international scale (metals, coal, essential agricultural products like corn, sugar, and so forth), and those of commodities whose consumption is for the most part confined to one country (bricks and stone, building slates, timber and woodwork, furniture, etc.). The former are sold simultaneously on the great international markets, and their prices scarcely differ from one region to another except by the amount of customs duties and transport costs (p. 152). The prices of the latter-what might be called internal or domestic goods-seem at first glance to show greater independence from country to country. Why, for example, should not houses of the same kind, built largely of materials obtained from the country itself, he much dearer in England than in France, or vice versa? Actually, however, says Ohlin (pp. 154 ff), the prices of 'domestic' products bear even similarity to each other in different countries than those of 1' commodities. This is because they necessitate the

country or district? It should be noted to begin with that by 'price of labour' the author does not mean only the nominal wages of the worker, but includes also the profit of the entrepreneur and the interest of capital-i.e., the price of all the services used in making a product. And his answer, which is the same as Senior's, is that the price of labour, or, more precisely, the scale of prices of labour in a given country, depends on the quantity of the standard metal that this country can obtain in exchange for the products it exports.1 In other words, the price of labour-in the special sense that Pierson gives to the phrase-that is acquired by the exported products fixes the entire range of remuneration in the country. That is the very conclusion reached by Senior. But what can be deduced from it in regard to comparative price-levels for goods? The answer is hardly anything, for Pierson hastens to add that a high price for services is quite compatible with a low price for products. In his view, a low purchasing power of money in a country (i.e., a high price of labour) is not synonymous with a high level of brices, for the productivity of labour. measured by the number of days taken to produce the same thing in two countries, may be greater than it is elsewhere, and that means low prices. In brief, the two phrases 'high level of prices of things in a country' and 'low purchasing power of money' are not identical. for the second relates to services alone and the first to all products. Pierson drew the conclusion that price-levels in two countries could not be compared in any satisfactory way. In any such comparison, he said, individual experiences play a preponderant part, and these depend on individual needs. A country that one person considers 'dear' may with equally good reason be regarded by another as 'cheap.' (P. 369.) He added that a high price of labour is always an indication of economic prosperity

- Tausig, dealing with the same problem in 1905, reached very similar conclusions, which he reaffirmed in his book in 1927. But this is not to be wondered at, since his doctrine, like Pierson's, is in a direct line of descent from that of Senoor In his view each country exports those of its products in which its labour is relatively most "fiftient"—i.e., in which its productively for the same time worked is relatively greater. Its products are cheaper than their foreign counterparts because, by hypothesis, in the time taken to make, say, the units, the other countries make five. Hence the advantage

<sup>&</sup>lt;sup>1</sup> Pierson, Principles, Vol. I, p. 369, of the English translation.
<sup>1</sup> In an article in The Questry Journal of Economic (August 1306) on Wages and Pract is than Pelatone to International Trade, represented in 1320 to this Feet Trade, the Tanfi, and Ranjovach, pp. 70 ff.: see especially the note at p. 64

(1) wages in any country are determined by the wages paid in the export industries; (2) wages in these latter industries are fixed from country to country by the quality of the labour furnished. The purchasing countries will give higher pay to the worker who produces the greatest quantity or the best quality of a product in the same time as his competitor, or who makes things that these countries consider the most desirable. This explains the high wages paid in England in comparison with French, German, or Russian wages, English goods being more sought after on all markets. This doctrine, which served to explain in particular the high wages paid in England at that time, aroused little interest outside England. Taussig studied the same problem in 1906 in connexion with American wages, which in their turn astonished people by their high level-higher than those of other countries, including England. He said, quite truly, that nothing could be found in the writings of French or German economists to show that their attention had been turned to these subjects.1

But Tausig might have mentioned the Dutch economist and stateman Pierson, who took up the same problem at the same time at Tausig was taudying it, and started, like Tausig, from the differences in wages in order to solve the wider problem of the differences in price-levels between different countries. It was, no doubt, the reputation of Holland as a 'dear' country that led him to pay attention to this question. In a very interesting chapter on the value of money in different countries Pierson asserted that the only way to compare the purchasing power of money in one country with that in another (i.e., their price-levels) is to compare its purchasing power in regard to services, not goods. The problem of the conditions that determine the local value of money, he said, can be posed only in these terms: how is the price of labour, expressed in money, determined in a

determines the wages of all other workers, so too "the mine worked by Englastal to the general market of the world: the mines are those who produce these commendation by the expectation of which the precious metals are found to the commendation by the expectation of which the precious metals are found and advancement of the commendation of the

suddenly raised in relation to English and American prices. When France decided in 1936 to devaluate the franc once again Switzerland hastened to follow suit, in order to avoid a price difference between the two countries that would threaten her exports. So too in 1931 the Scandinavian countries had followed England, so as not to lose the market that their products had hitherto found there. In this way the various governments showed their conviction that the general price-level of one country can for a fairly long time be higher than that of others, and that the effects of this are felt by foreign trade, at least temporarily. Many economists remained sceptical, being convinced that after a certain time-lag the temporary excess of exports from the favoured country must either diminish or evoke a contrary stream of imports, owing to the necessary equilibrium between a country's purchases and sales. But how long can this time-lag last? It may be months or even years before the former volume of exports is restored. as England found by experience after 1925 and France after 1931.

These circumstances again drew attention to the problem discussed by Tausig as early as 1906, and to the causes of the difference of price-levels in different countries. The solution proposed by Tausig met with numerous objections from Ohlin and Angell. The former, basing his argument on the idea of mutual dependence, was unwilling to give to a single factor—such as the efficiency of labour—a decisive role in the fixing of relative price-levels. It is the sum total of the factors that act on prices that must be considered. The comparatively high rate of wages in the United States results, according to Ohlin, from the relative scarcity of man-power in that country, and not only from the great advantages enjoyed by the export industries. Angell adopts a very similar view.

But it is the legitimacy of the problem itself that is open to question. Can we really speak of the price-level of one country compared to that of others, when the very nature of the goods of one country varies greatly from those of another, despite their identity of name? When we seek to compare the absolute prices of goods in various countries, the principal difficulty we are up against is that of finding lists of product that are really capable of being compared. Too little attention it generally paid to the differences between manufactured products in common consumption in different countries, such as clothing, furniture, and utensiti. Each nation has its own habits and traditions adapted to its climate and its own particular needs. Food, clothing, and housing are very different, even to a superficial observer, in Norway and England, or in France and tably. Commodities common to them all are confined to a certain number of staple international to them all are confined to a certain number of staple international

possessed by a country like the United States, which manages to produce much more than its competitors in the same time by the use of machinery both in agriculture and industry, and by the skill shown by its workers in using this machinery. The remuneration of labour is therefore greater in the American export industries, and this remuneration determines what must be paid in all other industries. High wages are found in countries where labour is efficient in the production of export commodities, and whose exports fetch a good price in the markets of the world. But Taussig, like Pierson, is careful to add that high wages must not be identified with high prices. If he says, in the 'domestic' industries (i.e., those working for the home market) the efficiency of labour is also greater than it is elsewhere then the prices of 'domestic' products will be relatively low, despite the high wages. He observes that in the United States a great number of 'domestic' products are cheaper than in Europe, while, on the other hand, all personal services are much dearer. To sum up, it may be said that the United States, though a country of high wages, is not a country of high prices for the great majority of the population, though it is very much so for the wealthy and well-to-do classes (p. 81).

In short, Taiusig's theory, like Pierson's, though it considers wage levels. Taiusig even leans to the belief that we cannot speak of a general level of prices, but must distinguish carefully according to kinds of products. All that can be said—and it is the conclusion already reached by Senior—is that high wages in a country are generally a sign of prosperity and well-being, because they are a sign of highly developed productivity, and consequently of the widespread use of machinery and improved methods of cultivation and manu-

The solution of the problem discussed by Taussig and Pierom became a matter of peculiar urgency when, after the First World War, several States decided to devaluate their currency so as to lower the general level of their prices, because, they said, high prices hindered the exportation of their goods. The long-neglected problem of the relation between the price-levels of different countries again became one of immediate interest, for on this relation depended in part the rate at which each country meant to fix the level of its currency in relation to others. After the collapse of the pound in 1931 and the dollar in 1933 all French prices, expressed in striling or dollars, were

attribute the prosperity of this one to the fact that the nominal income of each person-i.e., the amount he receives and spends per day or per month-is represented by a higher figure than elsewhere. A prosperous country, then, will be a country not necessarily of high prices but of high incomes. Now, in a country of high incomes it will be possible to obtain not only more things at the same price as elsewhere, but also things of better quality which, if they were consumed in toor countries as well, would have the same price, but which are not consumed there, because incomes are too low and these things are dear in relation to those incomes and not in relation to the same things made elsewhere. So in prosperous countries we find products that are too dear to be obtained in poor countries, but not dearer than they would be in the latter countries if they were found there. The entire range of consumption is different in those countries, so that superficial observers get the impression that the cost of living in general is higher. But that comes of comparing cost of living with incomes in the less wealthy countries, instead of with the prices of products, which are the same, or would be the same if they were met with there. In England, for instance, or in Holland, articles of toilet and clothing, etc., seem dear to an Italian or a Frenchman, but actually they are things of better quality than in France or Italy-more solid or more durable things, which in the latter countries are confined to the richer section of the community, whereas they are in common use in England and Holland. So we get back to a very similar idea of the problem to that of Pierson

## IV: THE INTERNATIONAL DISTRIBUTION OF GOLD

Closely connected with the problem of price-levels is another problem that greatly concerned the Classical school of political economy: that of the distribution of gold among the different countries.

The doctrine formulated for the first time by Hume (following Cantillon), and again in almost identical terms by Ricardo, Senior MII, and Bastable, remained for a long time without any important change. Its execution points are the two following ideas: (1) that gold is a comment whose circulation from one country to another is determined by the same circumstances as other commodities; (2) that just as commented by the same circumstances as other commodities; (a) that just as considerable and other forms a country where they are charge to one where they are deaver, so is gold exported when it is the special or the country than in others (or, in other words, when the price level in the different countries.)

goods, such as metallic raw materials and a few major agricultural products like milk, butter, and oil. In these circumstances the very idea of comparing price-levels is faced by no objection at the outset, and the practical conclusions that can be drawn from it are of little importance.

It is for statistical observation to settle the problem. Attempts at a more precise comparison of price-levels have so far met with the greatest difficulty, the theoretical reasons for which were admirably explained by Rene Roy in a remarkable study published in the Paris Journal de la Société de Statistique for September-October 1941, as well as by Ohlin (p. 159). Some good writers, however, such as Knut Wicksell, who dealt with the question a few years before the Second World War, are content with the statement that "broadly speaking the price of the same commodity cannot vary in two different countries by much more than the import duty and the freight." But this formula is too much simplified, as Ohlin has shown: it is true only of countries that are all importers of a commodity supplied by the same exporting country; for instance, all countries that buy their wood pulp from Sweden. It ceases to be true when we compare the price of this commodity in one of the importing countries with its price in another: the difference is often less than the cost of transport between the two countries.\* In short, the problem of price differences between different countries is far from having been satisfactorily solved.

One notion that should be mentioned here—a very old one—is that One notion that should be mentioned before the first of high prices. From Cantillon to Ricardo and down to Pierson and Taussig we find it constantly reappearing. But Wicksell considers it an illusion, though he does not say how it arose. We will try to explain, as a modest contribution to a problem whose solution is beset by so many pitfalls.

A prosperous country is one in which the quantity of products and services to be consumed per head of population is greater than elsewhere, or of better quality, or both. In such a country, therefore, the inhabitants enjoy on an average a higher standard of life than those in less prosperous countries. If we admit that prices of the same products are the same in this as in other countries, we are found to

<sup>-</sup> Wilckell, Letters on Palitical Economy, English translation, 1933. Vol. II, p. 158. The passage continues as follows: "A factor which certainly tends to raise the cord of living in prosperous countries is the high level of wages and the ensuing higher price of the process of the process and all work done by hands. But this done are appreciably affect commodity prices, or at any rate the prices of those commodities retering the price of those commodities retering the price of these commodities retering the price of the price of these commodities retering the price of the pric

Rueff in his Théorie des phénomènes monétaires,1 they rely on the notion of 'monetary circulation,' both parties declare that the disequilibria of the balance of accounts caused by the rise of prices in the countries where the gold is discovered and the resulting exchange fluctuations determine the spread of gold and its distribution among the different countries.\* By the term 'balance of accounts' Aftalion means the balance of external income received in the course of a year, to be distinguished from the 'balance of payments,' which in this author's terminology includes not just the annual incomes but the sum-total of a country's external debits and credits. Rueff conforms to old tradition in using 'balance of accounts' to denote all elements, whatever they may be (capital, income, and goods), which corresponds to Aftalion's 'balance of payments,' But this difference in terminology does not affect the agreement of the two writers as to the fundamental determinant of the movements of gold from country to country.

Wicksell has given a similar interpretation of the phenomenon, and explains with remarkable precision certain facts that are often not sufficiently emphasized. He observes first that the discovery of a goldmine is accompanied by a very great rise of prices in the country where it is found. But that is only the first stage. Foreign goods soon begin to flow into the country, attracted by these high prices, "with the result that prices soon revert to normal and at the first shock possibly fall below normal." This fall in prices allows the production of gold to continue, though without this fall the cost would have become prohibitive. Profits from the mines become normal again, and the export of gold continues. It is, therefore, the gold that is exported to other countries that will henceforth affect prices in those countries, and by raising them create disequilibrium in the balance of accounts, which Pavot, Paris, 1927.

<sup>&</sup>quot;There is at each instant one single equilibrium distribution of the world stock of gold, leading to a range of prices of such a nature that when all conditions within each country at the moment in question are taken into account (including the relations of particular prices, transport costs, individual habits in regard to the use of different forms of money, velocity of circulation, activity of trade, banking policy, discount rate . . .) the total balances of the accounts of all the countries concerned are and remein in equilibrium." (Rueff, Thiorie des phinomines montaires, p. 249)

It is clear on reading this passage that it is not altogether correct to class Rueff's theory along with those of Aftalion or Wicksell. Rueff's theory is purely static; he does not take into account the dynamic hypothesis of new production of gold-a hypothesis that he will probably examine in the forthcoming volume of his work. But the world distribution of new gold is brought about, like the distribution of existing gold, by changes in the balance of accounts, and it is therefore legitimate here to associate Ruell with the other writers mentioned, although their point of view is more dynamic. In examining doctrines that present a fair number of slight individual differences it is impossible, without unduly lengthening this book, to go into all the details that a comparison of these doctrines would demand.

From the beginning this doctrine has received many modifications Ricardo's opponents observed that gold was exported whenever the balance of accounts was out of equilibrium, so that the rate of exchang rose. Now, the reasons for the disequilibrium of this balance are ver numerous, so differences between the general price-levels of differen countries are far from being the sole cause of gold movements.

To meet this objection a distinction has been made, as by Mill between two kinds of disequilibrium in the balance of accounts, namely those of short duration arising from temporary inequality between a country's credits and foreign debts, leading to very slight remittance of gold, and those of longer duration, where the outflow of gold may go on for a fairly long time, and which result from a marked inequality between the price-levels of exporting countries and the rest. These latter disequilibria are less frequent than the former kind and appear particularly at times when large quantities of the monetary metals are being produced.

This is the point at which the theory of the world distribution of gold was left by Mill and his successors. The second case, however, was more and more neglected as it was very rarely met with in practice: it is not even mentioned by Goschen in his famous Theory of the Forige Exchanges?

It is obvious that the origin of the classical doctrine is to be found in the great discoveries of gold and silver in the sixteenth century, the rise in prices that resulted from them, and the consequent distribution of the precious metals among the trading countries through the import and export of goods. The mechanism of this distribution continued to obsess the classical writers, and their notions were to b largely confirmed by the two great influxes of gold during the nine teenth century. After the discovery of the Australian and California gold-fields, as well as those of the Transvaal, a flood of gold poure on two occasions over the world, leading gradually to a general ris of prices, accompanied by an expansion of international commerce by a method very similar to that described by Ricardo and his successors (and even earlier still by Cantillon). As to this mechanism then is fundamental agreement to-day between advocates and opponent alike of the 'quantity theory' Whether they start from the conception of incomes, like Aftalion in the important book that he devoted to this question under the title of Monnais, prix et change," or whether, like I Goschen save that exports of specie are the result of the balance of debit, or else

<sup>&</sup>lt;sup>3</sup> Goothen saw that exports of specie are the result of the balance of order, we are of a difference in the value of money, or else, again, of variations in the value of money in circulation (i.e., the depreciation of a currency).

Surey, Para, 1927. The volume was to be completed by a further one in 1938 emittled L'Or et la nomens

or francs adopted the roundabout method of seming their gold to Nine rorh. There they changed it into dollars, which they then sold on the sexhange market in London or Paris at the price of 5s. 6d. or 15 francs—Ira higher than the legal buying price. Therein lies the whole secret of what was for a long time called the "concerning" of gold by the United States and the "maldistribution" of the precious metal. Cornering and maldistribution were the inevitable consequence of the abourdly prolonged refusal of the two great issuing banks to buy gold at a price corresponding to the value of the gold dollar on the exchange market. It meant the systematic exclusion of newly produced gold from their coffers. The accumulation of gold by the Unuted States continued as long as there was this difference between the buying price of the gold dollar at the European issuing banks and that obtainable on the exchange markets.

What there events showed was this that gold turned to those countries where it was dearer, not only in goods (which was the Classical doctine) but also (and this was the new fact brought unto prominence by these happenings) is the currency of other countries, when the rates of exchange between these currencies and between them and gold were not the same. That is the conclusion seen so clearly by Aftalion in his admirable LOT of its monotant.

Now, was this actually a new fact? Fundamentally it was the application to the paper-money system of phenomen often observed in bimetallic systems, when sometimes gold and sometunes alver was exported or imported, according as one could be exchanged for the other at a more favourable rate than the legal exchange rate in the country where the movements began. The influx of gold into the United States alackened after 1925 when its cause duappeared, that is to say, when first England and then France stabilized their currencies and but did away with the difference, too long maintained, between the price of gold on the exchange market and its official purchase price.

After 1938 and 1939, and despite the stabilization of sterling, a new flow of gold began to the United States and also to France. This time a new circumstance had arisen: the exportation of capital, especially short-term capital, caused first by the enormous differences in interest rates on the great money markets, and later by suretainty as to the stability of the monetary standard, this latter circumstance being predominant after the crisis of 1930. Then appeared what Affalion calls "the attraction of sound money"—i.e., the search by capital for a tedge in the securities or values of countries whose currencies seemed likely to remain more stable than rises here and less threatmend by

will in turn give rise to a new distribution of the gold. Wicks emphasizes the fact that this rise of prices is due directly to the inflo of gold, apart from any effect it may have on the rate of discound and this is the more interesting because the author has shown els where the importance he attaches to the influence of the discount on prices.

Yet on the morrow of the First World War we watched with astonist ment enormous movements of gold that seemed to contradict this implication. Neither the disequilibrium of the balance of trade nor that of the balance of accounts (at least in the restricted sense given to that of the balance of accounts (at least in the restricted sense given to that tern by Affalion) seemed able to account for it. The large gold payment made by England and France to the United States during the rawere easily explained by the impossibility of exporting goods at the time to pay for the enormous amount of war material imported by those countries. They confirmed the old observation that countrie with an inconvertible paper currency are gradually stripped of the stock of metal for the benefit of the foreigner. But when the war was over the flow of gold to the United States continued and even increased, even when foreign trade had been restored. Was not that a strange anomaly?

In reality the phenomenon was due to a particular circumstance not mentioned by the Classical economists because it had not shown itself in their time and because they adopted the single assumption of an international metallic standard. The circumstance in question was the temporary existence of two purchasing prices for gold, owing to the system of paper money employed by the majority of countries. Between these prices the sellers were free to choose, and they naturally chose the most advantageous. One was the official price, the other the actual market price. On the exchange market the prices of the paper pound and the paper franc in relation to the dollar convertible into gold had depreciated. But the Bank of England and the Bank of France continued to offer, for the gold brought to them, a price in paper pounds or paper francs as low as that in force before the war when both countries were still on the gold standard. So a dollar bought on the exchange market for paper money might cost 5s. 6d. in London and 15 france in Paris, whereas a weight of gold equal to that contained in this same dollar was still exchangeable officially at the Bank of England for 4s. in notes, and in Paris for 4.86 francs. From this divergence between the official buying price and the free price of the gold dollar on the exchange market there was bound to result, as an inevitable consequence, that the producers of gold wishing to obtain paper pounds

<sup>1</sup> Wicksell, Lectures on Political Economy, English translation, Vol. II, pp. 161-163.

Authanian mondrals.\(^1\) Some of the fundamental points of this theory have been briefly summarized in the preceding pages. The 'madatibution' of gold was, in reality, the result of measures taken by the belligerent countries themselves after the First World War, and of their reluctance to restore an international monetary system after the avalanche of paper money that started during hostilities.

So nothing happened during these dramatic years to contraduct the Canical doctrine of the distribution of gold in normal times. But, on the other hand, events have shown that other influences regarded by the Classical school as secondary or exceptional (even to the extent of teaving them unmentioned) might assume unsuspected importance as a result of the upheavals caused by the war, and set up gold movement singularly difficult to remedy. In his Prangitus of Economic, already quoted, whose superiority is as marked on this subject as on others. Pierson had already developed Ricardo's theory so as to cover other movements of gold beades those dealt with by that author. And Pierson attributed to Ricardo the particular merat of recogniting that international gold movements were due primarily to monetary and not commercial causes. \* Alloin's exposition of more recent experiences leads to the same conclusion.

#### V: COMMERCIAL POLICY: FREE TRADE, PROTECTION, AND AUTARKY

While the old Ricardian doctrine was being developed and refined into a theory both more complex and closer to the fact, the controvery among economists concerning the best commercial policy still went on, though in a far less stormy atmosphere than at the end of the ninetenth century. The triumph of an ever more restrictive protection, before and especially after the war, even in countries radiationally attached to Free Trace, like Great Britain, Holland, and Belgium, took much of the sting out of the controversus, whose inherce upon practice was admittedly growing continually weaker. But this triumph did not prevent the uninterrupted progress of international trade, though from time to time the approaching end of its continued expansion was foretold by certain writers. It was predicted even before the First World Wars, and it was predicted after it, but

<sup>1</sup> Dalloz, Paris, 1932.

See particularly pp. 536-562 of Pierson's Principles of Economies, Vol. I.

For example, Nogaro and Oualid, in a book called L'Evolution du Commerce (1914), expressed the opinion that France and England "have now reached the peak of their foreign trade." [P. 416].

<sup>4</sup> By Ohhn, for instance, at p. 126 of his book already quoted, though his conclusions are a little lacking in precision and may be differently interpreted.

devaluation. No one had hitherto imagined that these influences generally so fleeting, could ever reach the scale that they then attained or lead to such gigantic movements of gold. Yet there was nothing in this that contradicted the Classical doctrine: events were simply showing that an "unfavourable" balance of accounts can result from circumstances far more numerous than the single movements that that doctrine took into account—i.s., movements of goods determined by price differences. According to whether or not movements of capital are included in the 'balance of accounts' (whether Rueff's or Afallion's definition is preferred) will these movements be regarded as a simple application of the general theory or as an anomaly.\(^1\)

In one case, moreover, the old Classical theory itself has received striking confirmation in the events of this period. This was the situation in which England found herself in relation to the United States after the return of the pound to par in 1925. The volume of means of payment for the English had greatly increased during the war, and under this influence the English price-level had risen very high. But it had been thought possible to peg the pound to the dollar at the old rate. The consequence followed promptly: the export of English products became more difficult, upsetting the English balance of trade and constantly driving the rate of exchange of the pound to the outgoing specie point. Hence arose an export of gold from Englandthough in smaller quantities than in the earlier period-or, more strictly, a tendency for gold newly extracted from the mines to go elsewhere than to England. This was a striking confirmation of the Classical doctrine. The movement did not end and gold did not begin to return to England till after the devaluation of the pound sterling.

The monetary phenomena of this period, more like those of the inineteenth, caused surprise by the unprecedented extent of the gold movements—a surprise that was reflected in theories numerous but ephemeral. We have already mentioned the one that aroused the liveliest discussion—the theory of the 'maldistribution' of gold, debated at length at the Gold Conference at Geneva in 1928 and 1929, and in the economic reviews. Aftalion has examined in detail the arguments put forward by the supporters of this theory—and particularly the influence on the general fall of prices attributed by them to this 'maldistribution'—in a most instructive book childed L'Os states. The same thing happende when the United States when the deceded he gold.

content of the dollar in 1993.

\* See especially the articles by Strakosch in The Economist and the Chatham House discussions collected in a book entitled The International Cold Problem (Oxford, 1931).

fall. This time the result of the rise was to mitigate the inconveniences of protection, not of Free Trade. It facilitated commercial progress, despite the hindrances that new tariff barriers tried to impose upon it.) Since 1930 the rapid fall in world prices has set in motion a new wave of protection. Once again it has become plain that tariffs and quotas exert only very slight influence on the extent of the crisis. In some countries they have hardly checked the fall in prices at all, and have not succeeded in preventing it. If Great Britain and the United States emerged from the crisis, it was not because of their tariff policies but because of the monetary devaluations that they both adopted. France, in spite of quotas and prohibitions, did not see her foreign trade improve till after 1916, when she resigned herself to a new devaluation, thus putting her price-level in harmony with that of her great competitors.

What was the reaction of the economists to these developments? For the Liberal ones, especially the mathematicians, Free Trade had for a long time admitted of many exceptions and much watering-down. Even Mill, following List, had admitted that the protection of an industry in its early stages might be justified, this is the 'infant industry' argument. Pareto showed that the setting-up of trade between two hitherto separate countries undoubtedly increased the total supply of wealth, though it might be concentrated in one of them alone. Barone, a disciple of Pareto, after a rigorous demonstration that every protective duty gives rise to the destruction of wealth, adds that it would be erroneous to conclude "that for every country and in every age protection is harmful and Free Trade advantageous. . . . Even from the purely economic point of view it must be considered whether the destruction of wealth that is certainly one of the effects of protection may not prevent still greater destructions of wealth."2 In short, all these writers believe, like Cournot, that freedom of trade is mainly a maxim of practical wisdom, or, like Edgeworth, who drew up a list of all the cases in which the imposition of a duty might be justified by theory, that it is one of those prudential maxims that are always good to follow-like 'honesty is the best policy.' Pareto thinks it futile to put the problem in a general form; it must be couched in the following terms: "Given all the economic and social conditions of a country at a given moment, is Free Trade or protection the better

<sup>&</sup>lt;sup>1</sup> This is particularly true of countries like France with specific rather than adtales a periodizity true of countries like Flance with special special reduces the ratio of the duty to the price of the product.

See Pareto, Mensais, chapter ix, para 45.

Barone, Pracipii, pp. 89, 90. The same idea is to be found in Pareto, Manuele, chapter 1x, para. 61, and note.

the predictions were always belied by the facts. On the eve of the great crisis of 1979 international trade reached a level hitherto unknown. Its declare—which was, moreover, relative, and much more a matter of prices than of quantities—werned only temporary. But for the outbreak of another war it would probably have soared to now height through the general world expansion of production, calling every year for more raw materials, more machinery, more tools, and more varied foodstuffs. Nothing, it seemed, but a check to the growth of population could seriously slow down the automating progress of international trade during the past hundred years. Yet nothing is less certain.

Other circumstances intervened. To begin with, the tariff system of a country, whether protectionist or Free Trade, seemed to have no appreciable connexion with the more or less rapid progress of its economy. The progress of protectionist countries like Germany and the United States in the twenty-five years before the World War was often more rapid than that of Free Trade countries, while, on the other hand, the Spanish economy, strictly protectionist, made but slow progress. In short, the amount of protection or Free Trade seems to have played only a slight part in the development of trade and eisewhere. Charles Gide, in France, had already pointed this, out, and economists of more strictly liberal views, like Divisia, are tending novadays towards the same conclusion.

On the other hand, the great world movements of prices, up and down, have obviously exercised a much more marked influence than tariff systems on the rhythm of progress or depression of the great economic systems. Marshall, in a famous deposition,1 expressed the opinion that the progress of Free Trade after 1850 had more to do with the prosperity of England than the rise in prices that was started at the same time by the discoveries of gold in California and Australia. But the opposite opinion is much more likely to be the true one. The extension of Free Trade in the middle of the nineteenth century would have met more obstacles if the stimulus given to world economy by the rise in prices, caused by the sudden abundance of gold, had not made up for the temporary inconveniences inherent in any alteration of customs duties. This was made plain when, after 1871, the fall of prices that continued till 1895 caused a very strong protectionist reaction against the liberal regime established in the middle of the century, and this reaction did not end when a new rise in prices, due to the exploitation of gold in the Transvaal, followed the preceding

1 Cf. our Histoire des Doctrines relatives au crédit et à la mannaie, pp. 242 f.

about what Pareto called "the maximum ophelimity." But since this transferability of the means of production does not exist

the only thing left to do is to make use of them where they are and to localize production according to the geographical distribution of the factors. . . . In this way the total volume of production is increased, and so the mobility of the products makes up to some extent for the lack of mobility of the factors of production between one country and another, or, what comes to the same thing, trade mitigates the disadvantages arising from an unfavourable distribution of the factors of production. Hence arises the profit resulting from trade between region and region (p. 42)

or between country and country, and this, he adds (going further than Pareto), is profitable in every case to the exchanging countries.

To sum up, trade, domestic and foreign, is the only means yet discovered by individuals and nations of sharing the advantages of which they would necessarily be deprived by the inequalities of their material or intellectual resources if they were confined to those given them by nature or history.

Another argument leading to the same conclusion has been brill liantly employed by Enrico Barone, who illustrates it by striking diagrams. It consists in showing that the immediate effect of every new protective duty is to reduce the actual revenue, in goods and services, of the country that imposes it.

So the old argument that every reduction in imports through the imposition of a customs duly tends to diminish the amount of exports has lost none of its force, though its manner of presentation in the course of discussions on reparations differs alightly from that used earlier. It can be formulated as follows. When a foreigner introduces foreign goods into France he acquires some francs. Now, these france an be employed, either by the owner himself or by those to whom he transfer them, only in France, and only in the following four way:

(1) in buying French goods to be exported from France; (2) in payment of debts owed by the foreigner to France; (3) in buying capital (securities, land, houses, etc.); (4) in buying gold. So the diminution of imports through the imposition of a customs duty, by reducing the

would involve exchange of products because there forces would be dispersed in space, the ten market on which their products would be sold. It is simple to say that by exchanging goods and transporting them from the places where they are made more chargely to places where they are desaive we effect an encountry which makes possible. It is provided to a produce the production for the whole would. The advantage is still more whose after good are exchanged which needs to said a fail the places where they worked and the places where they work of the product of

policy for that country at that time?" List himself would not have spoken differently.

But though the controversy about tariffs went on between econmists in a different atmosphere from that of the late nineteenth century, and though the more liberal among them were disposed to modify their principles in many circumstances, that did not in the

least mean that the general economic arguments in favour of trade freedom had lost for them any of their convincing force. On the contrary, they resumed and developed them after the war with a precision that was often lacking in their predecessors. The point of view of these economists has been perfectly defined by Robbins in his book

The Great Depression (pp. 183-184). "It is important," he says, that in considering this matter we should preserve a sense of proportion. . . . The existence of protective tariffs on a considerable scale is not in itself an obstacle to extensive business activity nor to a fairly rapid rate of progress. . . . No one in his senses would argue that the establishment of universal free trade is a sine que non of business recovery at the present. . . . But this is not to say that there is anything to be said for tariffs as a positive means to prosperity. Nothing that has been said in recent years has served to alter in any substantial respect the strength of the case for the maximum international division of labour, that is the case against protective tariffs; and the technical developments of modern industry have done much to make that case even more pertinent than in the past. The economies of mass production, which modern technical developments make possible, are economies which can only be reaped to the full if the market is sufficiently extensive. Since tariffs necessarily contract markets, it follows that the existence of tariffs must prevent resort to the economies of mass production being as widespread as might otherwise be the case.

resort to the economies of mas production being as waterpracmight otherwise be the case.

Oblin, the most penetrating investigator of international trade, adopts the Classical thesis, according to which trade in goods in the only means of effecting approximately that rational distribution of production that would be established if the factors of production (labour, natural resources, and capital) could move about at will. "If the factors of production," he writes at p. 99, "could move about a will, space would no longer be of any importance. . . . Labour adcapital would be transferred from places where their marginal will's is low to places where it is higher." In this way would be brought

1 Pareto, Manuale, chapter ix, para. 60.

<sup>\*\*</sup>Tarton, Assessing, Caspierr is, part. bo.
\*\*To be quite accurate, the hypothesis of a total trainferability of the mean of yetduction that would abolish space seems to us so inconcrivable that it would be both
in our opinion, to set and connectrations of this kind. It is a relief of the blood
Ricardo and Mill. Space is a fact. Even if national barriers did not cuit, we thank to talk account of pages, and a rational would distribution on freductor from

culty of calculating it equitably and benefiting only those who really need it is such that it is better on the whole to leave it alone (p. 200).

What Fierson accepts for agriculture Ohlin admits for the protection of industry in a period of depression and unemployment. The effect of a customs duty will be to reduce imports, but the normal repercusions of this reduction—a diminution of exports and the extension of unemployment to the export industries—will not take place in this case, for the protected industry will increase its production without hasing to withforw tables from other industries—will will find it among the unemployed and will simply recommence undertakings that had been held up by the crisis. Neither will there be any rise in wages or in the price of capital in the export industries. The State, on the other hand, will economize by not having to pay unemployment benefit to workers who will now be employed. "All such cases as this," write Ohlin.

differ in one important circumstance from the case of an ordinary protective duty; the factors of production used to nerease production in the protected industries do not diminish the amount of the available factors needed by other industries. The workers are drawn from the ranks of the unemployed. There is therefore no diministion of production in other industries (Epp. 494-495).

No doubt, remarks Ohlin, the same result might have been obtained without a customs duty, but more slowly. The protective duty will enable a difficult obstacle to be surmounted. In the case of a long depression, on the other hand, the resultang movements of labour will prohably reduce unemployment as effectively as a customs duty. So, to be sure of applying the duty intelligently, it would be necessary to have first whether a temporary crisis or a long depression is to be dealt with—which is not exactly an easy matter.

In his important work on international trade (Dr. International Handel) Haberler, though a convinced Free Trader, maintains the same thesis as Ohlin in the case of a depression of short duration, but his argument is a different one. He agrees that a reduction of exports will necessarily correspond to the reduction of imports that follows the imposition of a customs duty. But since the protected industry is going to benefit by increased purchasing power, because of the Reater activity that it owes to the protection, this purchasing power may increase the elemand for the products of the export industries and make up for the loss of the purchase of foreign customers (p. 192). So by a rather different route the author reaches the same conclusion as Ohlin. He also insists that what is true of unemployment does not

number of france postered by foreigners, will necessarily either injure a French exporter, or injure a French creditor who is owed money a foreigner, or prevent foreign investments in France, or prevent an export of gold. Of these consequences the first two are by far the most frequent, and there is no doubt whatever that, considered by then-selves, they weaken a country's economy. The two latter consequences are sometimes favourable and sometimes unfavourable, according to the country and the circumstances, but they are much less common and can in most cases be ignored. What we have generally to expect, therefore, if the imposition of the duty reduces imports, is either a reduction in exports or a reduction in the realization of credits, both necessarily injurious to the country's economic system, and both frequently observed in the post-war years.

To deny the applicability of these fundamental arguments would be to deny also the advantages of freedom in internal trade. Nor are they disputed by the immense majority of economists. If some of them sometimes support protectionist measures, it is because they regard them as temporary exceptions, to be tolerated for the time being so as to avoid certain social, political, or even military inconveniences in the country that adopts them. Haberler, in his examination of the arguments for protection, draws a distinction between two kinds. First there are the arguments that he calls undebatable—those that are not open to discussion because they disregard truths accepted by all economists (such as the 'commercial deficit' argument, a hundred times refuted and yet always reappearing in popular controversy)and secondly those that admit the truth of these conclusions and confine themselves to showing that in certain exceptional circumstances they no longer hold good. To this latter class belongs the theory that an economic crisis causing severe unemployment may be combated or mitigated by customs duties. This thesis, often maintained since the war, is not a new one. It had been defended before that time by so convinced a Liberal as N. G. Pierson, who admitted that a sudden and heavy fall in the price of corn, for example, might justify a protective duty. "A measure that aims at preventing a too rapid fall in corn prices," he wrote, "is of advantage not only to farmers and country tradesmen but to the whole population as well." What he would allow was an import duty levied at a lower rate each year until it finally disappeared, so that the advantage of a permanent fall in the price of corn would not be lost, but the inconvenience of a sudden fall would be avoided. Pierson added, however, that the inconveniences of such a duty are in other ways so great, and especially that the diffi-

<sup>1</sup> See Pierson, Principles, Vol. III, p. 197.

and yields a larger income. Manotlesco is, we believe, the first economist to emphasize with all the force it needs this important and indisputable fact which explains the continued movement of agricultural populations towards industry. His work may in this respect be compared with a book published in the United States in 1910 by the eminent statistician Carl Snyder under the title Capitalism the Creator.1 Based on an incomparable knowledge of statistics and history and written in a captivating style, it is a veritable hymn of praise in honour of the human spirit in the service of industry. With an impressive wealth of documents the author describes the marvellous economic development of the United States during the last hundred years, built up entirely on the basis of technical inventions put into operation by saving. With many curves and figures he shows the comparative yields of industry and of agriculture in the United States, and the predominant part played by the former in this great achievement. Manoilesco has demonstrated the same thing at a time when this truth, still meeting with much resistance, was far from being universally accepted. He concludes from it that protection is advantageous when duties are the only means of introducing into a country an industry that will yield more than the country already produces. and more, in particular, than agriculture.

The object of commercial policy being, therefore, in his view, to raise the general level of productivity in a country, protection should be applied only to a small number of products. "Protection," he write, "should cover only certain things, generally few in number compared with all the things produced in the country." Only manufacturer "whose productivity exceeds the average productivity of the country" will be protected to the exclusion of all the rest, and so the loss resulting from the establishment of a protective duty will be more than compensated by the introduction into the country of more paying industries. Far from reducing international trade, industrialization increase it. Manoliezoc emphasizes one fact whose importance cannot be over-estimated—though it is forgotten in almost all tariff discussions, and though Taussig has very often stated it—namely, that "industrial countries are themselves the greatest consumers and the greatest importers of industrial goods" (n. 248).

We are only pointing out here the fundamental conceptions an Manodesco's work, without going into detail on the theoretical discussions by which he seeks to prove the falsity of the Ricardian theory of comparative cost, and which are open to many objections. But the

<sup>&</sup>lt;sup>3</sup> The sub-title is The Economic Foundations of Modern Industrial Society (New York, 1940).

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apply in the case of productive factors other than labour, as, for example, causing uncultivated land to lie idle.

Keynes has declared in favour of the same thesis. He admits that a customs duty, by temporarily improving the trade balance of a country, may enable it to increase its purchases of raw materials and set part of its industry going again.<sup>1</sup>

The theories just mentioned relate to what might be called occasional, or temporary, protection, as practised by almost all Governments. But there are also more ambitious theories, that are not content with making concessions to protection, but try to find a doctrinal basis for it and make a regular system of it. The most interesting-attempt of this kind is, in our opinion, that of the Rumanian author Manollesco. whose Théorie du protectionnisme et de l'échange international, published in French in 1929, has provoked sharp contradictions but nevertheless contains original and interesting ideas. The author is first and foremost an industrialist. He wants to see his country abandon her almost exclusively agricultural economy and turn towards a more industrial one. Despite his own denial, his inspiration is much the same as that of Friedrich List, and his practical conclusions are very similar to those of the German economist. Like him, he attaches chief importance in his idea of commercial policy to productivity and nationality, and like him too he rejects a generalized protective system applying indifferently to all branches of economic activity. The basic notion in his work is that industry to-day in every country gives a bigger return than agriculture

On this point see Haberler's book, pp. 195-200, where he discusse Krepnipointon. In France 14 manutant by Dulle (Identum data Alexansus dat

The region of the second part of the second trade mathiese very different from that generally acrypted, without any sufficient platfication. The demonst between 'strong' and 'weak' countries does not seem to correspond to any pererosman definition. In case of crease all countries folds not been to correspond to any percentage of the second contribution of the second contribution of the second definition of and the dimension is often must marked in the security 'strong' countries and the dimension is often must marked in the security 'strong' transition and the dimension is often marked in the security and the second countries of the second from the second countries of the second from the s that there is no point in emphasizing the difficulty of practising them.

The autarkle ideal is an exaggerated form of that instinctive fear of foreign commodities that has been so well analysed by the Swedish economist Heckscher in his already classic book on Mercantilism.<sup>1</sup> In opposition to it he has formulated a doctrine called "exchangism" to show that it is neither exclusively Free Trade nor exclusively protectionist, but regards the extension of foreign trade and not its restriction as the fundamental object of commercial policy.

Autarky cannot be considered a mere extension of protectionsm.

for the latter does not deny the usefulness of trade, but simply wants to limit its too swift or sudden expansion. Autarky is a new conception, entirely opposed to the one that has guided international commercial policy from the most remote past down to the present time. What it proposes is nothing less than to reverse the line of development which for two thousand years has continued to extend trading relations between nations as between individuals. And that is a harder task than some of its advocates seem to imagine.

# CHAPTER II: CONFLICTING THEORIES OF CRISES

Betwers the phenomena that appeared after the First World War and those that followed the Napoleonic Wars there are striking rezemblances. We have alterady noted these in the sphere of international commerce, but they are no less impressive in the matter of circus. Hardly had the treaties of Venna been signed than a series of industrial crises in 1815, 1818, and 1825 shook England, and, therefore, the continental countries also. A hundred years later the Treaty of Versailles had hardly been signed when the crisis of 1920 broke out in the United States, followed ten years later by the still more violent one of 1930. This latter, bringing unemployment on an unprecedented scale to the United States, to Germany, and to England, and causing the collapse of the principal currencies of the world, will always figure in history as a particularly tragic event.

1 this a mere chance resemblance? Certainly not. Every prolonged

<sup>1</sup> Eii F. Heckscher, Mersanhlum, 2 vols, Stockholm, 1931. This work has been translated into English (Allen and Unwin, 1935). true idea that seems to lie behind the author's theory is that a commercial policy whose sole advantage is to cause a better distribution of the existing means of production between one country and others is far less interesting and deserves less sacrifice than one that tends to increast the productive advantage of both the exchanging countries at onc. Now, in many cases it is only industry that can achieve this result, and if protective duties are necessary to accomplish it they are justified, in the view of this author?

But the reaction against Free Trade was destined to go further than protection. In quite recent years a policy has been advocated -not so much by economists as by public men-which aims not at developing interpational trade but at doing away with it. This is the policy of autarky, already outlined by the philosopher Fichte in his Der geschlossene Handelsstaat ("Closed Commercial State"). What it advocates is that a country should be completely independent, economically, of others. It would require from them neither consumable products, nor raw materials, nor machinery, and would therefore have no need to send them its own products. It would be sufficient unto itself which is the meaning of the word 'autarky.' Such a system can be realized by two methods only-one that can be called restrictive, and the other expansive. On the one hand a country can restrict its needs to the level of its own resources -e.g., a country without copper and aluminium can decline to create an electrical industry, a country without coal can give up metallurgy and every industry that uses steam power, such as rail transport, and a mountainous country can content itself with dairy produce and go without the corn and fruit that only the foreigner can supply, and so forth. Or, on the other hand-and this is the solution generally favoured by the autarkists—the country can seek to extend its resources to the level of its wants, in which case it will have to obtain, either by conquest or exchange, territory possessing the resources that it lacks itself. But, as man's wants are by nature unlimited, it is difficult to see where this thirst for new resources is to stop. Both solutions are fraught with such obvious inconveniencesthe first for the country itself, and the second for its neighbours-

A nather alder but very interesting attempt to base a protectionit system on rational arguments and not merely on expediency was made in Aumin by Rechart Schiller. Sharting from the actual theories of the Austrian school—to was a point of the Austrian school—to was a point of the actual terms of the ac

only truly industrialized country in Europe, and it was in England that the return of peace caused the most serious disturbances. Labour troubles and unemployment assumed proportions at that time which stirred the whole world. At the beginning of the twentieth century industrialization had spread to France, Germany, and the United States, and these countries experienced the difficulties from which, in 1815, England had been almost the only sufferer. But it was once again in England that unemployment lasted longest, especially after the crisis of 1020. Germany, the United States, and France did not experience it in all its gravity until after 1930. England at the beginning had her areas of unemployment, whose distress she compared to that of the French devastated regions, so that she called them her "devastated areas." The problem of unemployment, therefore, as a principal characteristic of crises, was presented with peculiar force to British economists. All their theories show the effects of it, especially those of Keynes, and the way to restore 'full employment' has the largest place in their proposals. These circumstances must be kept in mind in reading the abundant economic literature that has been evoked by these events. This abundance is itself another point of resemblance with the post-Napoleonic period.

The old controversies between Sismondi, Ricardo, and J. B. Say are still famous, and the majority of the later theories of crises have been influenced by them-not only those of Rodbertus and Marx, ascribing them to maldistribution of incomes, but also those of Tooke and the Currency School, putting the blame on excessive credit or the uncontrolled issue of bank-notes. At no time since then has this great subject ceased to occupy the economists, particularly after the crises of 1900 and 1907. But the two crises that followed the First World War in 1929 and 1929, both originating in the United States, extended so far (especially the second one), disturbed so profoundly the economic life of the great nations, had such lasting repercussions, monetary, industrial, and even political, and dislocated international trade so violently that the best-known economists in all countries have been led (as after 1815) to express their views on their causes and the remedies to be applied. These controversies recall by their extent those of the beginning of the nineteenth century. It is a significant fact that the curiosity of present-day historians and economists alike as to earlier events has been awakened and aroused by many historical works in which these events are studied in the light of the present.

These post-war theories also show signs, as is only natural, of the changes that the last hundred years have wrought in the machinery of economic life. In the matter of credit, for instance, it is no longer the

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and widespread war makes goods scarce and generally forces Governments to resort to paper money.1 Hence comes a general rise in prices. The coming of peace brings back the ordinary volume of production and compels Governments to return to normal financial methods. The new flood of goods, and the mere ending of the creation of purchasing power (even without any withdrawal of the paper money), then cause prices to fall. The greater the previous rise the faster is this fall. When this unavoidable readjustment begins it takes the form of a crisis, but it may last for many years. If, then, the mere alternation of booms and depressions that characterizes modern industrial development provokes new crises, these are reinforced by the general tendency of prices to fall. This readjustment took place after the Napoleonic Wars, after the American War of Secession, and after the war of 1870-71. An examination of the general price-curves at each of these periods shows this so plainly that it is surprising to find so many people astonished by it when it happened after the First World War. It was particularly grave at that time because of the enormous extent to which prices had previously risen, and the severity of the crises that followed was thereby increased. The persistence of this factor must never be forgotten in interpreting these crises, for without

it their extent and virulence would remain inexplicable.
But the analogy with the period after the Napoleonic Wars does not end there. The end of a great war brings not only a readjustment of prices: this readjustment extends to the whole of production. Factories doing war work are turned over to the production of consumers' goods. They have to adapt their plant and make sure of their normal markets. In primarily agricultural countries, like France in 1815; the difficulties are less, because the peasant, as soon as peace is restored, finds his land ready to receive the seed and make it grow. But even to him the dislocation of agricultural markets by the war, as well as disturbances to cultivation, present difficult problems, as we

saw after 1918. In industrial countries it is the entire orientation of capital and Babour that has to be modified. Ricardo, like Adam Smith, called attention to this in the pages already quoted. And this readaptation is made harder by the accompanying fall in prices that makes strenous efforts necessary if cost is to be reduced. For if at the beginning of a war the necessary adaptation is made easier by the rise in prices, it is impeded after the war by their fall, After 1814. England was the

<sup>&</sup>lt;sup>3</sup> This was not the case in France under Napoleon, however. He started the system of making conquered countries pay for the war. His horror of anignati made him is steer clear of paper money, but England did not escape it.

Haberler so well puts it in the far-reaching report in which he summaires and discusses all the known interpretations of the economic cycle, these economists admit that a process of expansion and contraction cannot continue indefinitely, because it gives birth itself to forces that oppose and eventually upset is. At the end of the chapter we shall see emerging from these controversies a third corresption of crites, which seems to-day to be winning over those who are interested primarily in the positive study of the phenomenon. While taking into account all the influences already noticed it leaves the door open to other and new influences. Thus it envisages not one single mode of operation but several.

### I: THE 'GREAT DEPRESSION' AND ITS CAUSES

Lionel Robbins is the best-known representative of the first groupof commists. He has submitted 'the great depression' to a profound analysis, in which his thought is specifically linked to the Classical treakuton, which be calls the best-tage of generations of while and disinterested thought. Since most economists use the 1930 crisis as a touchstone to test the proportion of truth contained in earlier theories, it is useful to recall its essential features as they appear to a mind of exceptional honesty and keenness.

To Robbin, then, the crisis of 1930 was the result of a combination of unfavourable circumstances aggravated by a policy which, in England as much as, and pethaps even more than elsewhere, rejected some of the clearest lessons taught by past experience. One of the staleint features of his book is the courage he daplays in openly rejecting some of the most popular explanations propounded in his own country under the impact of the first disasters caused by the crisis. The natural tendency, in Great Britain was to cast on the economic and monetary policy of other countries responsibility for the events that brought about the resounding collapse of the pound sterling. This was sacrified first to the 'maddaribution' of redd (meaning its

Engloymus, Intensit, and Mony: "I suggest that the emental character of the Trade Cycle and, especially, the regularity of time-sequence and of duration which justifies us in calling it a god, is mustly due to the way in which the margant difficiency of capital fluctuates. The Trade Cycle is best regarded, I think, as being occasioned by A cycled change in the marginal efficiency of capital.

It is plain from this that the crisis is itself due to some more hidden factor, whose changes explain the crisis itself, and it is the movements and fluctuations of this hidden force that our authors are trying to find.

G von Haberler, Property and Depresson, p. 245 (Geneva, 1937).

Robbins, The Great Depresson (Macmillan, London, 1914)

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bank-note that takes the first place, as in the works of Jugiar or Laveleye, since for more than fifty years the bank-note has been superseded by the current account. It is, therefore, the current account, made available by the cheque, the 'written money,' that plays the chief part in modern theories of crises. In the matter of production those industries that make what are called "production goods"such as machines, girders, rails, metal plates, steel and copper wire. etc .-- have acquired increasing importance as compared with those making "consumption goods." This distinction between the two groups of undertakings, ignored by Sismondi and J. B. Say, plays a prominent part in modern theories. Particular stress is laid on the more violent fluctuations to which the first group are subject. And finally, the influence of saving on the orientation of industry is rarely mentioned by earlier writers, except Sismondi and Malthus, whereas the enormous development both of creative saving and of reserve saving during the past century has turned the attention of economists to the mechanism of saving and its influence on the birth or development of crises. So we find that theories of saving constitute a new and important part of the modern doctrines. While these doctrines emphasize certain aspects of crises that have hitherto been little studied, they none the less retain some profound resemblances to the older theories. To-day, as a century ago, they can be classified according to whether their authors ascribe decisive influence to the intervention of credit, to the uneven rhythm of industrial production, or . to under-consumption.

These distinctions, however, are but secondary ones in comparison with a certain fundamental opposition that is to be observed between two classes of thinkers. There are in the first place those who, following the tradition of Ricardo and Say, continue to look on crizes fleeting and unavoidable incidents in economic progress, due to insufficient foresight, to the mistakes inseparable from all human activity, to accidents that interrupt a period of expansion, and so forth. Another and more numerous group, on the other hand, follows Simondi in suspecting that the regular recurrence of crizes indicate the influence of some factor peculiar either to the organization of credit, or to the methods of production in modern communities, or to the distribution of incomes or expenditure. The constant recurrence of booms and slumps seems to this group of writers an indication that some permanent influence, itself subject to a necessary rhythm of

expansion and contraction, determines the ups and down of economic development, and they devote all their energies to discovering it. As

1 Keynes, for instance, expresses himself thus at p. 513 of his General Theory of

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million in Great Britain, thirteen million in the United States, and six million in Germany. It was in ever truth 'the great depression.' Here again Robbins finds the principal cause in the abandonment of traditional teaching. He agrees with Ricardo, who, in a passage already quoted, casts blame upon 'the restrictions and prohibitions, to which the abund jealousies which prevail between the different states of the commercial commonwealth give rise." And Robbins himself blames also the downess with which freedom was restored to the great markets after the war, the excessive use of customs tariffs, and the rapid multiplication of trusts and cartely

Is this, then, a sufficient explanation? There is every probability that, when the initial mistake had been made of putting the pound back on the pre-war parity in spite of the creation of an unprecedented quantity of bank money, all the measures advocated by Robbins -which were, indeed, the logical outcome of that policy-would also have failed, as would, too, the precisely opposite measures advocated (as we shall see presently) by Hawtrey and Keynes. For the crisis of 1930 was only the second stage of the inevitable readjustment of prices which follows every great world war, and which the 1920 crisis had not sufficiently achieved, as paper money was still at that time the currency of all the belligerents except the United States. It was only the return of England to the gold standard in 1025, and the subsequent extension of that standard, that made plain the true situation. What happened then was like what was observed after the abandonment of bimetallism, when the gold extracted from the mines was not sufficient to compensate for the demonetized silver that was thrown out of employment, and world prices had to adapt themselves compulsorily to a quantity of gold that was too small to keep up the level to which universal inflation had gradually, and artificially, raised them. It was this 'deflation,' too prolonged, but inevitable in view of the return of the pound to par, that caused this great disaster. Robbins would certainly not dispute this, but his otherwise penetrating analysis does not perhaps bring out clearly enough this superposition of a 'normal' crisis on a profound tendency to a fall of prices—a superposition which in itself explains the violence of the 1930 crisis, and which rendered van all other remedies than the harsh and abrupt adaptation that was brought about by monetary devaluations. The same subject has been dealt with by Nogaro in an important work whose views agree in many respects with those of his English colleague, but he has noted this circumstance more clearly in the following passage, which forms the conclusion of his very complete analysis of all the circumstances of the crisis: "To sum up," he writes,

wecalled 'cornering' first by the United States and then by France. then to the "retilization" of gold (that is to say, the alleged refund of the same two countries to expand their credits in proportion to their rold reserves), and finally to failure to observe the rules of the game of the gold standard (without succeeding, however, in defining these 'tules of the game') Robbins rejects all these explanations, and see in the monetary policy of England herself one of the principal causes of the 'errat depression.' And here his analysis touches on points of prime importance and interest for any theory of crises. England, he says, made her first mutake in stabilizing the pound sterling at too high a rate. Having made this mutake, she was unable to take the measures preded to determine the price-level resulting from the rate the had adopted. What were these measures? Above all, the restriction of credit. The export of gold at this point was a clear indication of the policy to be followed. But, contrary to all the 'rules of the game,' the Bank of England replaced the gold exported by new credits (p. 85) Then there was another mistake: costs of production ought by all possible means to have been reduced to the level of world prices, which had fallen below English prices, but the English preferred to maintain wages at too high a level. Thus, he concludes, the English disequilibrium was due to the choice of a false parity and a refusal to conform to the requirements of this parity (p. 97)-

But this specifically Lnglish disequilibrium in turn reacted on the conomics of other countries. It led other central loahs in their turn to break the rules of the game. The Federal Reserve Bank of New York lowered its discount rate in 1927. Why did it do this? To come to the aid of the London market by depriving English short-term capital of the attraction of a more remunerative investment abroad. But what was the result? A speculative rise on the New York Stock Exchange which intensified the later collapse of values by which the crisis began. When it idd begin it was again London that prolonged it after the fall of the pound, by leaving the world uncertain as to the rate at which the pound, now released from gold uncertain as to the rate at which the pound, now released from gold uncertain as to the rate at which the pound, now released from gold uncertain as to the rate at which the pound, so through the truly intenational character of the English currency, that deplorable monetary rules, on the property of the property

It remains now to explain why the crisis, once started, assumed such exceptional gravity. For it was not a 'normal' crisis when the price-index fell in three years from 93 to 63, and world trade from 68 to 26 milliard dollars, and when the number of unemployed rose to three

### 'ORGANIC' INTERPRETATIONS OF CRISES

-conceptions to which most other writers are more or less attached. though with slight variations.

#### I. R. G. HAWTREY

It is hard to imagine views more completely opposite to those of Robbins than those expressed by Hawtrey on the origin of the 1930 crisis and the methods by which it could have been avoided. According to Robbins restriction of credit would have made it possible to maintain the gold standard and induce the indispensable fall in costs, while for Hawtrey the same result would have been obtained by the opposite process of making credit easier. The lowering of the discount rate in 1927 by the Federal Reserve Banks is strongly criticized by Robbins, whereas Hawtrey thinks it the right method to follow,1 and blames the United States for interrupting it. The raising of the rate in 1927 he regards as a disastrous reversal of policy, and he similarly criticizes the raising of the discount rate in London after 1929.1 When the depression had begun an open-market policy should have been energetically followed. A half-hearted move in this direction had been made by the Federal Reserve Banks, but it was quite inadequate. The depression in the United States was precipitated just in proportion as the accumulation of gold in that country increased. In direct contradiction of Robbins's thesis Hawtrey casts the responsibility for the crisis on the insatiable demands of France and the United States for gold; demands far in excess of the production of the mines. He compares the state of the money market at that time to a tragic . episode in the defence of Calcutta, in 1758, by Governor Holwell.

"In 1930 and 1931," he writes,

producers all over the world found demand dwindling relentlessly. In desperate efforts to keep going they cut prices deeper and deeper. Their frantic competition for such demand as remained might be compared with the desperate struggles of the prisoners in the Black Hole of Calcutta to save themselves from suffocation by getting near the two small windows which were the only means of ventilation. It is said that it was only by inadvertence that Surajah Dowlah shut up 146 prisoners in a cell 18 feet by 15 feet. He merely fol-lowed precedent in committing prisoners to the guard-room. In their agony the victims sought to bribe the guards to carry an appeal for mercy to Surajah Dowlah. But he was asleep and the guards dared not awake him. He was very like a central bank.

## And the writer adds:

When, the next morning, he sent for Holwell, who had been in command of the garrison and was among the twenty-three survivors, the actual critic, although its immediate starting-point was the New York crash—an arcidental factor—act obviously related to a nor newto actualent, which is in the Jord in as usual dishest in the standard critical starting and the standard critical starting and the standard critical starting and the stock exchange crisis. The fall began well in advance of the stock exchange crisis, and affected agricultural commodities in particular. This fall was on an altocender unprecedented scale, as the preceding size had been. The difference between wholesab prices and all other prices—prices of industrial products, retail prices, prices of services—was also on a scale hitherto unknown. It is, therefore, in this circumstance—an entirely surphosal pass moments, assented as deals with the distributions entire from the Great Washest and the content of the explanation of an economic disequilibrium as serious and prolonged as that which we actually witnessed.<sup>1</sup>

This passage sums up perfectly the most characteristic feature of the crisis of 1930, and combines the interpretations, to be dealt with presently, of Schumpeter and François Simiand.

#### II: 'ORGANIC' INTERPRETATIONS OF CRISES

Neither Robbins nor Nogaro has tried in connexion with the 1930 crisis to construct a theory of crises in general, or to provide an explanation of their "everlasting recurrence." They have undoubtedly rendered a signal service in concentrating their attention on all the aspects of a great and international event that marks an epoch in economic history. But the mystery of economic cycles and their evident regularity is too attractive not to have led certain thinkers once again, on the occasion of the twentieth-century crises, to search for the general mechanism of these cycles-or, if you prefer it, the hidden spring which, once discovered, could, they think, be manipulated or controlled by man's deliberate will. The most important of these attempts are associated with the names of Hawtrey, Aftalion, and Spiethoff, though many others deserve mention as well. But in such a matter an exhaustive account would distract the reader's attention too much. Each of these authors represents one important aspect of economic thought: Hawtrey by emphasizing the part played by credit, Aftalion the fluctuations of production, and Spiethoff (followed by Cassel) the role of saving. So we find in them the typical conceptions that need to be set forth in a history of economic doctrines

B. Nogaro, La cruse konomique dans le mande et en France, p. 227 (1936).
 We ourself have often laid stress on this essential aspect of the great crisis- see in

We ourself have often laid stress on this essential aspect of the great erists see an particular chapter i of the first volume of the Englise nor le Chémage ("Enquiry into Unemployment") published by the Institut Scanfifque de Recherches. (Sirey, 1938.)

source of the consumers' income. That is to say, the money spent on the purchase of goods is the source of the incomes of those who produce and deal in the goods. So long as an unchanging stream of money continues to flow through the consumers' income to demand and back through demand to the consumers' income, activity will be maintained.

But how can income be increased? Simply and solely by bank eredit.1 Credit granted by one private person to another merely displaces income, the expenditure being made by the borrower instead of by the lender. But when banks grant credit they create new money and a new income. And, conversely, when they restrict or stop credit they diminish the aggregate income. Now, credit is essentially unstable.2 An increase of credit increases consumable incomes and consequently expenditure as well. There follows a rise of prices leading to an increase in profits, which impels traders to increase production and demand new credits, which in their turn will raise prices. and so the process continues. Credit sets in motion a cumulative rise. Can this movement go on indefinitely? No, replies Hawtrey, because the banks are limited in granting credit by the extent of their reserve. which is dependent on the central gold reserve of the country. Otherwise there would be no limit to the rise of prices and the expansion of production. But, if credit ceases, a cumulative movement in the opposite direction will start. Incomes diminish, prices fall, bringing about a fresh reduction of incomes, etc., and the depression grows until the banks feel themselves in a position to resume the granting of Credie

There rise and falls of prices, therefore, result entirely from necrease and reductions of bank credit, and the economic cycle is a purely monetary phenomenon. Since the banks create money, they act in reality like a government which issues paper money. The process of regatation and depression under the influence of paper money. So the conclusion follows that to deliver a country from depression, or to check too revere a depression, credit must be facilitated and purchasing power increased, while in the opposite case credit must be restricted. The manipulation of the deacount rate—rating and bowring it—is the principal means by which the modern banking what may never the result of the proposite case credit must be restricted. The manipulation of the deacount rate—rating and bowring it—is the principal means by which the modern banking rystem can prevent crises, or combat them when they have begun. So

<sup>&</sup>lt;sup>4</sup> And also by an increase in the rapidity of circulation of the income. But after having mentioned this influence Hawtery duce not return to it in the course of develocing his theory.

CI The Art of Control Reading, p. 163.

Trade and Credit, p. 175 (1923). This is the openion of Carl Sayder alea.

Surajah Dowlah manifested no interest in the fate of the prisoners but wanted to find out where the East India Company's treasure was hidden.<sup>1</sup>

Hawtrey shows no tenderness for the central banks, which, with their eyes fixed on their gold reserves, were not interested in the gradual suffocation of the economic system. For in his eyes the fluctuations of credit-by which he means bank credit-are the sole cause of booms and depressions, and the central banks are the masters of credit. He thus joins a long line of economists poing back as far as the Currency School, and where his originality lies is in combining his views with a particularly clear conception of income and its circulation, which forms as it were the skeleton of all his books. He defines income as the total of all the amounts that remunerate the various services that combine in the productive process. He does not include in it sums that come from the sale of a good previously acquired by the expenditure of earlier income. When we sell a stock-exchange security we 'disinvest' capital acquired earlier with income already expended once. The sum received is not part of income," for the latter consists only of sums paid for 'new' services rendered. What Hawtrey calls "income" is what we call net income, as distinguished from gross income. Hawtrey calls it "consumers' income," where the French would say "consumable income."

Now, the price-level is a function, at each instant, of the aggregate expenditure of income by a community, and rises or falls with it. Expenditure of income includes, of course, both consumption expenditure and stuning expenditure, the latter being only a particular way of spending income. This conception has been summed up by Hawtery himself in his latest book? as follows.

By the consumers' income I mean simply the total of income appressed in monetary units. It is much more fundamental in monetary theory than the quantity of money. The consumers income is the source of general demand, composed of consumption demand and of the demand for capital goods. For though it is traders, not consumers, who buy capital goods for use in production, the funds used by the traders are ultimately derived, through the investment market, from the consumers' income. And while the consumers' income is the source of demand, demand in turn it the

The Act of Centri Besling (Longmans, Lendon, 1974), p. 310.

FC, chapter in of The Act of Cheed Besling, mentaled "Consumers' locates and
Outlay," pp. 85, 86. Heavitry gives the name "exterior receipts" to all sunst arms'
from the sale of securius; properties, etc., as well as sums torrowed from basis.
The whole of that chapter is essential to an understanding of Heavitry's theory, and
should be supplemented by the explanations given in the Centre of Cheed.

A Contry of Bank Rate (Longmans, London, 1938), p. 38.

his repayment will be accomplished by a stoppage of money, and onsequently of incomes. It is for this very reason that a mere lowerag of the discount rate has always proved powerless to encourage strepments to 'start again' after a crisis.

streptomers to 'start again' after a crisis.

Apart from this argument, concerned with the treatment of crises a general and that of 1930 in particular, we may follow Pigou, the brewd successor of Alfred Marshall, in saying in opposition to Hawtrey hat in a purely monetary theory account must be taken not only of he quantity of money but of its rapidity of circulation. Now, this arise, quite apart from the banks, by the action of the income-owners hemselves. Moreover, if it is true that the supply of credit plays an moportant part in increasing or reducing purchasing power, the banks te not alone in causing these movements, for it is the merchants, the ndustrialists, and the State who demand credit, so that their state of mid exerts a powerful influence on its expansion or contraction. To omcentrate attention on the supply of credit is to remove from the problem the offen decivity influence of demand!

Hawtrey's views, on account of the position he holds at the Treasury, have on many occasion inspired British economic policy. He, like Keyne—though the two differed from each other on many muor points—was able, and will still be able, to make the financial authorities of his country liter to him. But his wees, none the less, which make recrything depend on increases or decreases in purchasing power, and which may tempt statesmen by the ease with which they can be put into practice, are far from being universally accepted.

# 2. AFTALION AND SCHUMPETER

It is true enough that all the writers dealing with crises admit that credit plays some part in starting them. Is it not an ascertained fact that credit restrictions are generally at the bottom of the first failures that announce the coming storm? Yet most economists refuse to see in the expansion or restriction of credit the true cause of the crisis, as Hawtrey does. They seek it in the divergent and ill-synchronized movements of production, saving, or consumption, and the monetary aspect of the cycle is, in their eyes, only secondary.

It is in the rhythm of production as determined by its technical conditions that Aftalion finds the source of cyclic crises. For Hawtrey the fluctuations of demand. reflections or fluctuations of income, determine

See Pagou on the "Monetary Theory of Crises" in the Economic Journal, June 1939, Pagou is Immedi the author of a book on cruse—Industrial Factushees (London, 1927)—and epicality of an important work called Wealth and Welfers, which laid the foundations of his reputation as an economist.

it is understandable now why the views of Robbins and Hawtrey on the policy followed by England and the United States in the crisis of 1010 are in such complete disagreement.

Hawtrey's great merit is to have described with admirable clarity the creation and circulation of net income. His definitions of 'consumers' income' and 'consumers' norms' provide a valuable plan for understanding the circulation of production incomes to consumption and tire strais it ought to figure in every manual of political economy. It renders the same service to the understanding of dynamic problems as Walras's plan does to that of the interdependence of prices in a satile system. It is similar and equally useful, as we shall see presculy, to that constructed by Ohlin and the Stockholm school to clucidate the relations between income, saving, and investment.

On the other hand, the use that Hawtrey makes of it for the interpretation and treatment of crises (especially that of 1030) is open to grave objections, and we must call attention to the chief of these. Between inflation and deflation of paper money on the one hand and the expansion and contraction of credit on the other Hawtrey sees almost a relation of identity. We have shown elsewhere! how the identification of the two processes appeared in English doctrine at the beginning of the nineteenth century. From the time of Ricardo -and even from the time of John Law-the assimilation of convertible paper money created by credit with inconvertible paper is constantly reappearing. It is to be found again, implied if not expressly formulated, in all Hawtrey's works, and therein lies serious confusion. It follows that by applying to a rise in prices due to excessive issue of inconvertible paper the remedies whose aim is to prevent or correct the consequences of a credit crisis, he makes, in our opinion, a therapeutic error.

Bank credit is a repayable instrument. It is granted normally only for a short term. It cannot, therefore, suffice to maintain a price-level which, if it is to be lasting, assumes a certain quantity of money (metal or paper) remaining in circulation. There is no reason to think that lowering the rate of discount would have succeeded in 1930 in checking a fall in prices that was the result of the increasing volume of goods thrown on the market. To this Hawtery would reply that credit itself creates income, for the sums leat by the banks are used as wages, for buying raw materials, and so forth, and the saving these incomes give rise to is no less genuine than that produced by other means than bank credit. We agree, but the incomes thus created are mortaged in advance by a debt to the bank which must one day be repaid, and

<sup>1</sup> See our Hustoire des doctrines relatives ou crédit, etc. (Paris, 1938).

titis uddenly states—beginning in the machine-making industries. Innee there is greater distress in the industries making production goods than in those making consumption goods. The whole process s summed up by Affalion in the following vivid simile, which we quote in full.

If we poke the fire because a room is not warm enough we have to wait until the required temperature is reached. If the cold continues and the thermometer still records it we shall be inclined, if we have not learnt by experience, to put more coal on. We should do this even if the quantity of coal accumulated in the grate was already enough, when it had all caught fire, to throw out an unbearable heat. By letting ourselves be guided by the sensation of cold at the time, and by the present reading of the thermometer, we should fatally overheat the room. And this is the kind of mistake that the capitalist technique leads to. Since production requires a previous manufacture of fixed capital, so long as this manufacture is not accomplished the shortage of finished goods induces a belief in the possibility of preparing for new increases in production. The entrepreneur can only see that wants are actually unsatisfied, as shown by the high prices: he cannot know that their virtual satisfaction is excessive.

In short, at any given moment there is over-production of certain formumption poods. It is not that income are insightent to buy them, but that the satisfaction they pitch has eliminished: the 'final utility' of the goods supplied to the public has decreased. Once the process has started in one branch it extends to the rest. The crisis is not general but generalized, but it gradually embraces the entire economic system. It cannot be disputed that Affalion has noted a fact of far-reaching

importance that actually characterizes the existing technique of protection. It is certain that crises have nowadays a tendency to break out first, and then to grow more caute, in the machine-making industrie—industries that in our day have become of prime importance. It is certain also that the forecasting of demand in these industries a subject to more mistakes than in others. The very abundance of capital that they require for their extension puts them in a particularly difficult position when the demand for their products tops, and when their products the expectation of the product stops, and when their productive capacity is no longer entirely temploved.

Aftalion, Les Crues périodiques de surproduction (1911), Vol. II, p. 361.

Almost as the statement of new artificion is Russan contenting the model of the tenchmin of the films as Affainos a Russan contenting the model of the tenchmin of the model of the model of the model of the tenchmin of the statement of the statement of the statement of dark we might regard their views as the same. "Period of property and period of depression," be say, "are signs of over-capitalization. The boom period, with in high prices and eventual over-production, the depression with its low prices and eventual over-production, the depression with its low prices and eventual over-production, the depression with its low prices and single phenomenon—persuanced activity can be that aspects of a single phenomenon—persuanced the statement of the

the thythm of production. Aftalion, on the contrary, regards the demand for products and services as progressing continuously, whereas the nyfly of goods proceed by fits and starts, because of the time needed to set up the plant and machinery from which will emerge the new products and services offered for consumption. So the fall in prices comes not from an insufficiency of purchasing power but from the saturation of the wants of the public, or, in the word of the author, speaking the language of the Austrian school, from the reduction of the fasel stilliy of commodities that have become superabundant.

Affalion has provided this thesis with a copious and new documents in which the principal industries and their behaviour before and during cries are studied with extreme care. His work, which appeared on the eve of the First World War and is based on experience of the cries of 1900 and 1907, is an example of a close combination of theoretical analysis and the most minute statistical observation. Its conclusions may be summarized as follows:

At the beginning of a period of expansion the industries making instruments of production are stimulated, because the machinery, tools, and raw materials that they provide are indispensable to all other industries. They are therefore led to make plans for extending their production. But time is needed to put these plans into operation. The construction of new factories, the increased extraction of iron ort, coal, and copper need preparation and the bringing together of many factors. Results appear only after a period of gestation which varies in different industries. Once the preparations are complete and the new manufacture is begun, a fairly long time is still needed before its effects make themselves felt on the commodity market. During this waiting period the supply of consumption goods grows but slowly. When, at length, the equipment so long in course of preparation is fully working, the sudden increase in the production of all consumable things soon meets with resistance on the part of buyers. Wants either change their direction or are sufficiently satisfied, so that demand slackens or hesitates. The new abundance of manufactured goods can then be disposed of only on condition of being offered at a lower price. That is the moment when the crisis breaks out. The fall that begins at one point extends gradually to other parts of the economic system. Faced by this hesitation on the part of the public, the makers of finished products restrict their demands for machinery, and the

<sup>&</sup>lt;sup>1</sup> The reader cannot fail to notice the resemblance of this conception to the views of Sismondi, explained in an earlier chapter. This return to Sismondi on the part of the English school is one of the curiosities of the economic doctrines of 1925-35.

reprecusions that will constitute a crisis. We shall see in sec. vi the importance attached by many writers, who incorporate Aftalion's ideas in their own theories, to this background, as it were, on which there appear incidents capable of starting a general depression, like microbes causing an infectious disease.

But one point till remains obscure: how are we to account for the simultarious testation of the machinery of production in a large number of industries at once? Aftalion says that the development of one discussion of the conomic field is generally accompanied by a corresponding increase at another point. This indicative indicatives accounts for the erconomic field is generally accompanied by a corresponding increase at another point. This indicatives indicatives for the circumstance in question. It appeals on the one hand to the law of substitution—"the prosperity or milifortune of one industry tends to spread to industries able to meet the same needs"—and on the other hand to the growth of incomes, "which leads to an extension of the demand for all products."

It is at this very point that Schumpeter introduces his examination of the problem of crises in his brilliant Theory of Economic Development, the first German edition of which appeared shortly before Aftalion's book, and the two later ones after the First World War.

Schumpeter belongs to the school of Walras. He came into prominence by an earlier book, where he showed himself the convinced and augestive interpreter of the findamental ideas of the Mathematical schools of France, Italy, and England. In his second book he supplies ments the 'static views of these schools by a purely dynamic system ments the 'static views of these schools by a purely dynamic study, and, quide naturally, he takes as the centre of this dynamic system the activity of the entriprener in the modern world. According to him the social function of the entreprener is not only to introduce something new into connomic development, to invent, to discover, and to diversify products, but also to spread new methods of organization and manufacture, and to adopt and popularize the inventions of others. He does not confine himself to the efficient management of the existing economic system according to the traditional rules, but at each moment, by his initiative and bold fath in the future, he 'threatens' the habits and customs and therefore the sources of profit of his more conservative competitors. He is continually renewing

<sup>&</sup>lt;sup>1</sup>Lescure has called attention to this difficulty in his book Les Crues générales et périodiques de surproduction (5th edition, Paris, 1938).

Affalion, Vol. II, pp. 369-399.

This work, translated with comments by François Perroux (Dallor, Paru, 1935), in preceded by a study of Joseph Schumpeter's views by Perroux. We quote from the 3rd Cerman edition of 1921. An English translation was published by the Oxford

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It is not even necessary to introduce the notion of final utility in order to express Aftalion's theory in a way that satisfies the mind. It is enough to conceive that, for one reason or another, the demand for some product does not come up to the estimated supply, either because this estimate was excessive or because meanwhit the desires of the public have changed. In this case some businesses find themselves deprived of their markets, their profits disappear, their workers are unemployed, and their debts remain unpaid. If the entire economy is now in a period of tension, if the banks begin to find their credit margin too much reduced, or if a saturation of markets is already apparent in some industries, then bankruptey or stoppage of work in the businesses in question may spread quickly and widely. Difficulties that in normal eircumstances would have no repercussion on other businesses, or which would have been quickly compensated by their prosperous position, will, on the hypothesis we are considering, give a shock to neighbouring industries and may start a series of

over-capitalization " (Let Crust &cosmipur, p. 346.) But closer examination reveals that Bountaitain's conception is more akin to those which ascribe to array a decisive influence in the production of river Inh 'permanent over-application' that he regards as one of the characteristic features of modern economic development undertakings. Since profits are thun concentrated in a few hand, the habit has arise of using them almost entirely for the creation of new capital, and thus the productive forces increase incessandly while consumption is relatively stationary. At a given moment this duequilabrium becomes visible, the business undertakings no longer find for their product the market on which they had counted, and the rivel begins. It is a phenomenon of 'decapitalization'. It reduces profits and the value of expenditual that the consumption of the control of the complete of the production of the complete of excentive capitalization ("S. 1812).

Whereas Affalion finds the oblision of the problem in a technical circumstanceric, the time necessified for the construction of plant-Bounistain finds it in an encounicircumstance-ric, the concentration of profit in the hands of high businesse, and their regular employment in new industrial creations. This phenomenon of income datarbuson and its division between investment and consumption had been notified already by Sumoods, and it is presently what the theories to be mentioned, following paragraphs are concerned with. But therefore the concentration of the following paragraphs are concerned with. But therefore the concentration is it is the insufficiency of investments, not their except, that they emphasize.

What bemastizes does not explain a low-consumption can remain stationary in face of increasing production, when the profit invested by neighbours are necessary converted by their associates in the undertaking into new incomes which will increase consumption expenditure. This stage is the chief difficulty of the problem, and Bounaians does not solve it. We must undoubtedly make allowance here for the delay before the incomes reviewed by saving can be converted him as dimand for an annually products, not as at another point in the crist there is a delay facilities of the delay in price can be open, which explain the price exists of regions set free by the fall in price can be open, which explain the price exists of

"Savings accumulate," says Spiethoff, "during periods of depression" (in der Stockung staut sich das Kapital) (p. 70). This process has been compared by a Russian author, Tugan-Baranowski, to the accumulation of steam in a steam-engine until its pressure overcomes the resistance of the piston.1 This accumulation of savings during the depression would bring about a reduction in the rate of interest, an indispensable condition-though not (he adds) a sufficient oneof the subsequent boom. If this boom is to come, there must at the same time be new markets or new technical discoveries that provide an opportunity for the boldest of the entrepreneurs to make new profits. It is nowadays in the realm of such industries as mining, railways, electrical or siderurgical industries that these conditions are to be met with. And when once they are combined the accumulated savings are immediately attracted to businesses in this group, spreading thence into other industries, on account of the incomes created by their operation. Then the boom continues, spreading from one industry to another, increasing incomes and consumption, and stimulating alike the construction of fixed capital, electric-power stations, and means of transport-all enterprises which call for considerable capital outlay, although they provide directly consumable services.

The origin of a boom is to be found, therefore, in accumulated savings, and it is the inadequacy of these very savings that is destined to end it. The crisis breaks out not because the consumption of consumers' goods is reduced, but because the savings that are indispensable to the creation either of the machinery or of the fixed property and plant are not available. All such goods are different from others in that "their construction or purchase is not made out of income in the strict sense, but out of capitalized income or acquired capital" (Enverbskapital, p. 75), and it is the lack of this acquired capital-or, as we should say, sayings—that puts an end to the extension of the industries that make it. Their originators may see their initial force casts completely falsified by a reduction in the saving on which they had counted, and this gives rise to a disequilibrium that provokes the crisis (p. 76). As for consumption goods, there is never any lack of the purchasing power needed to absorb them. "A limit to their market is still very far from being reached" when the crisis starts (p. 78), so it cannot be explained by any superabundance of these goods. The opposition between Spiethoff's theory and Aftalion's could not be more clearly marked.

It is obvious at once that there are two points in which the theory just described is open to criticism. To begin with, is it true that 1 Tuyan-Baranowski, Les crues industrielles en Angleterre (Paris, 1913), p. 273.

of crises. It has, therefore, brought into the foreground the whole problem of saving, its mechanism and its effects, and has given rise to a most instructive controversy. Spiethoff in Germany, Cassel in Sweden, Ansiaux in Belgium, and, earlier than these, the Russian writer Tugan-Baranowski have all adopted this conception, though with slight variations. But the author whose exposition has aroused most interest is the German Spiethoff, who made himself the protagonist of the notion after the crisis of 1899 which was felt more severely in Germany than elsewhere. Of course, neither these authors nor those mentioned earlier make any claim to having isolated a single circumstance as the cause of crises. They too take account of fluctuations of credit (credit is the indispensable instrument of expansion, says Spiethoff),1 or of the time taken to set on foot new production industries, thus incorporating Aftalion's conception in their own, or, finally, of the influence exerted by a rise or fall in the discount rate. But all these circumstances they regard as secondary, or, if you prefer it, auxiliary, as compared with the one essential circumstance-first the abundance and then the scarcity of creative saving during the phases of depression and expansion.

They start from the fact (which is true of modern industrial countries) that price fluctuations are particularly prominent in the group of businesses making 'production goods. During the first half of the nineteenth century crizer might arise from overproduction of consumption goods, but nowadays, when machinery and building, along with the extraction of mineral raw materials, are the principal domain of industry, it is in this branch of production that impulse begin. "A boom generally starts," says Spiethoff, "in the group of firms making production goods. . . . In a capitalist age it is difficult to imagine it starting in the group that makes consumption goods and reaching its highest point in these industries" (p. 71). This is also overproduction of consumable products. So on this point these writers are already diverging from the theses of Afalion and Schumpter. Now, if the firms making production goods are to extend and

Now, if the firms making production goods are to extend and develop, they need savings. We use that word, although Spichhof, like most German authors, prefers the word 'capital'—which we, like Walras, reserve for the actual goods procured by saving. The distinction between saving and capital, peculiar to the French and Italian terminology, is indispensable, if we are to get this set of ideas quite clear.

<sup>&</sup>lt;sup>1</sup> Spiethoff, article on Crises in the Handzörterbuch der Staatneisunschaften ("Du-tionary of Political Science"), p. 74

<sup>\*</sup> Ibid , p. 77

teresive number of new business firms and the anxiety caused by gwaing speculation that make the savers more reluctant. The inside query of axings would in this case be only opharuf; it would be an optumes, whereas the real fact would be the excessive appeals for axings, and their susprise at meeting with no response. This in pression of insufficiency arises from the successive creations and extensions of firms of every hind—genome and otherwise—that tharacterize the period of excitement which is the last phase of the boom. The insufficiency is relative, if you like, but it is none the less felt, and especially in the sense that it is often not the most extravagan projects that are deepped. Consequently the financing of genum business becomes difficult, and sometimes even impossible.

Cased has also felt the need to explain the unital abundance and then the relative searcity of savings at the beginning and end of a period of expansion. But he does not resort to the idea of an 'accumulation' of capital during the depression, the working of which it is almost impossible to conceive. It confines himself to showing that the creation of savings is not equal at the beginning of a boom and at the end. This is what he writer in his book, the last part of which is concerned with tries.

As entrepreneurs are compelled to save by economic necessity, the savings made out of the profits of business should represent a larger proportion than those made out of other incomes. Consequently the formation of savings by society should be relatively greater in periods favourable to the entrepreneur's profits. That period is precisely the initial period of a boom. We can therefore conclude that there are relatively more savines at the beginning of this boom. But as soon as wages and prices begin to rise there probably occurs a relative reduction in the formation of savings in proportion to the sum total of all incomes. For the working-classes certainly consume by far the greatest part of their incomes, especially when the prices of all provisions are rising. At the same time the entrepreneur's income begins to fall by reason of that very rise in wages, or at all events its rate of increase becomes lower. Thus an important source of savings loses its force, and the peak of the boom period will be marked by a relative scarcity in the supply of savings.

Araiaux, L'Infanon de crédit et la prisonnon des crues (Paris, 1934), p. 219 n.
Affalson, Bouniatian, Lencure, Haberler, and Anniaux are unanimous on this point.

Cancl, Theoretiche Seculification, 1918, p. 331.

Tramlated into English as The Theory of Social Economy (Fisher Unwin, 1923).

Smiler considerations, couched in almost the same terms, will be found a few pages later, pp. 534 fl. (The italics are ours.)

On the other hand, Amiaux, like Keynes, looks at things rather differently, and his view, it may be said at once, seems infinitely mearer the truth. According to him it is in the boom period that savings are most plentful: "No one can dispute," he says

during a depression savings accumulate without being used? Profix, and therefore savings, undoubtedly diminish during this period, but none the less these savings do find employment, as Aflalion has rightly emphasized. Among other things, they are used for buying up businesses that have run into debt during the preceding period, and have been liquidated. They are used also to repay loans from the banks. Consequently the new savings are for a certain time entitle absorbed in replacing old savings that have been detroyed, and they do not become available for new businesses until they have facilitated this indipensable liquidation, which is generally accompanied by a fall in the rate of interest as well as in the price of services and raw materials. During this period, then, there is a combination of conditions all tending to reduce costs and adjust them to the diminished incomes, and thus making recovery easier as soon as new opportunities of expansion present themselves to the businesses, which, moreover, will

need nominally less savings than in the period of maximum expansion. The conception of a scarcity of savings in the boom period is no less open to criticism. In such a period incomes increase, and so there is a similar increase in the amount of savings. Again, savingsnotwithstanding the term 'capitalized income' that Spiethoff applies to them1-are simply a part of income, in the same way as money used in the purchase of consumption goods. So we have to explain why these savings in a boom period are suddenly unable to absorb the increased amount of products of the firms that make machinery. Who buys this machinery if it is not the firms that make consumption goods? Why should these firms find themselves powerless to buy it, if the demand for goods for direct consumption goes on without difficulty, or even increases, as Spiethoff says it does? It must then be supposed that the consumption industries foresee, for some reason or other, that there is no longer any chance of increasing their existing plant because the demand for their products is going to diminish. Or are we to assume that the prices of consumption goods rise so fast during the boom period that they absorb an increasing proportion of income and do not leave enough to be saved? But this would imply that these goods are in great demand, which should cause those who make them to employ their profits in ordering new machinery-is-, to provide the savings which, as we are rightly told, are lacking. To these questions Spiethoff gives no answer.

Cassel and Ansiaux are more explicit. Ansiaux thinks it is the

<sup>&</sup>lt;sup>1</sup> Spiethoff says that savings are 'capitalized income,' but the phrase is difficult to understand. Savings are income spent like the rest of income, but used to buy or make a special kind of goods, called capital goods.

## III: KNUT WICKSELL AND THE THEORY OF DIVERGENCES BETWEEN SAVING AND INVESTMENT

Great influence was exercised in the first place by Knut Wicksell wer the brilliant group of Swedish economists which includes the sames of Ohlin, Lindhal, and Myrdal, who are responsible for some of the most interesting theoretical investigations of 1920-40. His ideas have also met with great, though tardy, recognition among he economists of other lands. There is a striking resemblance between the problems he brought forward and those connected with the name of Keynes. But Wicksell's position as leader of a school of economists is somewhat peculiar. The Swedish economists who claim fellowship with him all begin by proclaiming their disagreement with his fundamental theses. In particular, his doctrine concerning the influence exerted on price movements by the discrepancy which appears at certain times between the bank rate of interest and what Wicksell calls the "natural rate" of interest is rejected by them all, by Ohlin as well as by Myrdal and Lindhal 1 He himself, however, has made only a very tentative application of this idea. He formulated it in the first place to explain long-term price movements. But when it came to actually interpreting either the prolonged rise between 1895 and 1910 or the great fall that began in 1930, he reverted to the abundant gold production in the Transvaal for the first, and to the intensity of the production of goods after the war for the second a In other words, he eventually adopted the traditional view on this point. Ohlin felt justified in saying that Wicksell always looked upon his own contribution as a doubtful hypothesis, and was never as convinced as his pupils of its validity.4

So too Wicksell gave up applying his conception to the interpretation of crises, and on this point expressly adopted Spiethoff's theory,

<sup>&</sup>lt;sup>1</sup> Wickell has himself goven different definitions of this "satural rate". In lacthers are Political Examps, Vol. II, p. 193) it in "the rate of interest at which for demand for loss aspiral and the apply of assage exactly agree, and which more or less of the expected yield not no environment capital." In his diffulits and Contemponals to the expected yield not he environment capital." In his diffulits and Contemponal of the expected yield not he environment capital."

See the Preface to his Vorlenages of 1906.

See his study of the fall in prices after the war, in the volume of monetary studies

Published in 1933 by Hayek under the title Beindge zur Geldtkerne.

See Ohlin's Preface to the English echiton of Wicksell's Interest and Prices (Macmillan, London, 1946), p. viii.

Latter, English edition, Vol. II, p. 209: "My view closely agrees with that of Professor Spiethoff,"

The author agrees with Spiethoff in thinking that in

(p. 556).

a period of high prosperity of the modern type there is no over-production and no over-estimation of the demand of the consumer ... but there is over-estimation of the supply of savings, that is to say of the amount of savings prepared to absorb the concrete capital that is made. What is over-estimated is the capacity of capitalists to put sayings in sufficient quantity at the disposal of producers

The caution used by Cassel in these passages is noteworthy. The process he describes is in his view "probable," not certain. It is a plausible hypothesis, not a fact founded on experiment. The increases and decreases in savings are relative, whereas it is absolute figures that matter here. We shall see shortly that Keynes's description of the formation of savings during a crisis is exactly opposite to Cassel's.

These contradictions and uncertainties among writers who find the origin of crises in the rhythm of saving show the need for a preliminary theory of the mechanism of saving itself. What is the effect of its formation on the demand and supply of goods? Is it the same for consumption goods as for production goods? At what moment are savings most plentiful, either relatively or absolutely? Is it at the beginning or the end of a crisis? And what influence can it have on the phenomenon of unemployment? All these questions have arisen in connexion with the theory of crises, and have occupied an important place in the work of economists in the period after the First World War. It has become clear that the word 'saving' is one of those that every one thinks he understands, while it really includes very different meanings Hence the need to clear up these meanings, and the controversies that have arisen on this subject. We must now give an account of these controversies. But first it will be as well to examine the views of the Swedish economist Knut Wicksell, whose name is constantly mentioned by economists of the first two decades of the twentieth century. By fixing his attention on the dynamic phenomena of the economic system instead of on the static phenomena which had been the chief concern of the 'theorists of equilibrium, he was led to think out methods of working which in his view made it possible to explain crises as well as general price movements. The influence of his ideas is to be seen in almost all the discussions aroused between the two World Wars by the violent fluctuations to which the world economy has been subjected, and, in particular, the discussions by economists concerning saving and investment. They deserve special examination.

<sup>&</sup>quot;that the possibility of saving is much greater during a boom than during a depression ... A considerable amount of saving in the upward-moving phase is contrasted with reduced saving in the period of stagnation." (L'Inflation du crédit, pp. 313. 514)

to examine all existing explanations of the way in which a rise or fall of prices is brought about.1

It may be said at once that the explanation of this apparent paradox is really simple enough. The fall in prices means of necessity a diminished need for specie, so that it accumulates in the banks. At the same time the demand for credit is nominally less than before for transactions of the same amount, because goods and services fetch lower prices. Wicksell, however, does not mention this explanation. What happens, according to him, is that the discount rate, though it seems very low, is higher than what he calls the "natural rate" of interest, which he defines sometimes as corresponding to the yield in kind of real capital and sometimes as the rate that equalizes the supply of savings and the demand for them. Hence arise losses for the entrepreneurs and a fall in the price of products.2 This explanation is itself merely the application to this particular problem of a general solution to which he was led by his reflections on the wider problem of the origin of general rises and falls in prices. As we shall shortly meet with the problem again in another form, it will be enough to say that he draws a distinction here between two cases; one where the movement is due to variable relations between the production of gold and that of goods (for Wicksell has always upheld the quantity theory on this point), and the other, which is "extremely important in practice" (Lectures, II, p. 208), where this movement "is not due to a change in the supply of gold or to an increased demand for goods from the gold countries." It is this second case that perplexes him and leads him to think that the price movement arises from a divergence between the discount rate and the 'natural' rate of interest. Unfortunately he does not tell us what these movements are that are "extremely important in practice" and that are due neither to increased production of gold nor to that of goods. All that we know is that he was not thinking of crises. It is impossible, too, to verify his hypothesis, since the 'natural' rate is a mere figment of the brain and is not actually in existence on any market.

It is useless to dwell any longer on an explanation that is rejected even by Wicksell's followers. We mention it here-and will dwell on it no longer-only to call attention to its strangeness, and to show the direction in which Wicksell's curiosity led him when it was aroused

<sup>1</sup> This is the purpose of his first book, Geldgist and Guterpreise (1898), of which the English translation (Macmillan), Interest and Prices, with a Preface by Ohlin, appeared

<sup>\*</sup>The whole problem is again dealt with in his Course. (f. pp. 205-208 of Vol. II of the English translation, Lectures on Political Economy (1938), and also his article in the Economic Journal for 1907, p. 213.

and to some extent Aftalion's, though he never mentions the latter and seems not to have known him.1

It is impossible, when reading Wicksell, not to be struck by these contradictions and hesitations on the part of an intellect that yet give proof of rare dialectical and logical vigour. His influence springs rather from the way in which he has put certain difficult problems and his criticisms of solutions already suggested, than from the originality of his own solutions. The principal question that has aroused his curiosity is how long-term price movements, whether upward or downward, are started and continue. Adopting in principle Walravi doctrine of price equilibrium, and favouring also the ideas of Bohm-Bawerk on the rate of interest, he finds great difficulty in accouning, by these theories alone, for certain price fluctuations which during the last fifty years have characterized and dominated economic development. He sees here some contradictions that had not previously been noted.

His first book, called Geldzins und Güterbreise (Interest and Prices), appeared in 1898, and is directly connected with the impassioned discussions that arose out of the prolonged fall in prices that marked the years from 1873 to 1805 and provoked so many complaints, especially from the agriculturists. Many economists who were hostile to the quantity theory, especially in Germany and France, refused at that time to attribute this fall to the stagnation or reduction of the annual production of gold. One of the arguments employed against the probability of a monetary influence was drawn from the deep fall in the discount rate observed at that time, and the simultaneous accumulation of gold in the issuing banks. How, asked the opponents of the quantity theory, could we speak in such circumstances of a scarcity of gold? Now, Wicksell declared himself an adherent of the quantity theory-the only theory, he said, which had so far accounted for the undoubted influence of money on prices. So he started to search for an interpretation by which to explain the paradox of a full in prices accompanied by a very low discount rate when that rate seemed, on the contrary, a sign of monetary abundance that should make prices rise. That is the first problem that engaged his attention and led him

I The following passage from the Lanner, English follows, Vol. II, p. sets, serial me specifican: "The protected and inflicient cause of cyclical flocusions should realist the sought on the fact that in its very sature swholed no commercial element cannot maxima the deather cannot maxima the deather cannot permanent of series of population—hold is sent expectably ensuing so the organic phenomenon of increase of population—hold is sent expectation, sometimes despited. . . There exerus the converse in nominal realistic processing, sometimes despited. . The contract processing of the sent of the contract of the contra

purchasing power. Hence arise a diminution in the aggragate incomes of the working-class and the antepteneurs. This diminution of incomes (and, therefore, of the aggregate demand for products), and the new fall in prices that will accompany it, will extend the circle of firms that were hit first, and the movement is thus enabled in a cumulative manner to affect more and more sections of the economic system. In short, there is a reloity of circulation of incomes, whose stakening diminishes the total amount of income spent in a given time. This reduction brings in its train falls in price that are added to the original fall, so as to strengthen it and prolong it until production and total demand have found a new equilibrium at a lower level of prices in general.

The solution of the problem that worried Wicksell is, therefore, simple enough, so long as we are not led astray into a purely logical discussion of its terms but consider in detail, by a microscopical examination, as it were, the reactions caused by the original fall in prices, taking due note of the times within which these different reactions occur. This has been very clearly shown by Ohlin and Haberler, the former in two noteworthy articles in the Economic Journal, and the latter in a note in his account of the theories of crises.1 But Wicksell tioes not take this line: he thinks he has found another solution, which he was the first to suggest and in which Keynes in his turn found, at one time at least, a way of safety.2 Starting from Walras's conception of saving, Wicksell declares that normally the amount of incomes exceeds that of consumption. The difference between the total incomes received and the total consumed (i.e., spent on consumption goods) constitutes savings, which are invested in business enterprises or in goods intended to increase future production. These two streams, one of consumption expenditure and the other of savings expenditure, absorb together the sum total of incomes and form two continuous and parallel streams flowing side by side. So long as the amount of investment by the entrepreneurs coincides with the amount of saving by the savers,2 there is no reason, says Wicksell, for any

Sec Oblin, Son Notes on its Steckhion Throny of Smirgs and Statisment, in the Ensonman James I, 1997, repostulp pp. 207, and Ilaberier, Propaging and Deptimes (General, 1997b), P. 283 or The same problem has been examined by Boundation in the book already mentioned (pp. 245 ft). He proposed as interesting solution, but a less accurate one, in our opinion, than that given in the text (Q' Bounnation, Les Cruze domaingur, and French ecition, 1997).

The whole of Wickell') exposition, starting at p. 192 of his Lettere (Vol. II), should be carefully studied, but his concise style often makes it obscute, like all his preceding discussion of the views of Tooke and Ricardo.

And assuming, of course, that no external cause comes to raise prices—such as an increase in the production of gold.



remain faithful to the theory of the mutual dependence of prices, this distinction between saving and investment has played a considerable part in the economic controversies of recent years, particularly in the ideas of Keynes, and it was expedient to show how it originated.

Such, then, are the salient points in the views of a writer whose function was mainly to point out the difficulties in current theories and to seek for solutions, though he himself attributed to his solutions no other value than as suggestions constantly subject to revision Until the end of his life he never ceased to be obsessed by this problem of the great price movements, and by the desire to find methods by which price-levels could be stabilized. It is enough for us to have thown here the importance that he attached to the phenomenon of saving, to which, as we know, so many writers attribute a predominant influence in the development of crises, though they are far from agreeing about its mode of operation. To this mode of operation we must now returns.

## IV: THE THEORETICAL MECHANISM OF SAVING

For a long time saving was regarded as such a simple economic action that it was hardly thought necessary to make a theory of it. Adam Smith and Turgot expatiated mainly on the economic benefits that it yields, and paid little attention to the way it works. Throughout the nineteenth century authors of the most opposite views rivalled Adam Smith in singing its praises. Karl Marx considered it the essential function of the capitalist, and Keynes, who was later to criticize it so acutely, explained eloquently in his famous book on Reparations how the savings of the older countries before the First World War served to fertilize the industry of the whole world-one of the most striking pictures that his pen has drawn. Some discordant voices were heard, however-the most celebrated being that of Lord Lauderdale at the end of the eighteenth century. In a book that was widely read-it was even translated into French-and in which he often finds fault with Adam Smith's views, he protests against the too rapid liquidation of the English debt. Dupont de Nemours, in a very elaborate note on Turgot's Réflexions,1 vigorously condemns all

1 This nock is no be found at part by of Turpovi hillhouse are la formation at la darking that of a Roberton free by the General published by Gustave Schelle, No. 11, no. \$801, and we repeal it as of expiral importance in the hunory of doctrions shout saving. Dupon would have to see the term 'saving' replaced by 'productive expenditure.' He declares that we must "get not of the simple idea of saving among the elements that go to form applied," as the word 'saving' ofmanagin remain smock' posturing on one ide."

change in prices in general. On the other hand, if the sums invested by the entrepreneurs exceed the amount of savings (which will happen, for instance, if bank credit is more freely extended by the banks to entrepreneurs, especially if it is granted at a very low rate of discount), then we shall find the incomes of the entrepreneurs, and therefore those of their collaborators-especially the workers-increasing, and along with their incomes their consumption expenditure. We shall then see a general rise in the prices of consumable commodities, which must be attributed in the last analysis to the inequality between saving and investment which is the prelude to a general rise in the price-level. To avert this rise, therefore, it is sufficient to maintain equality between saving and investment. The method to be adopted if this is to be successful is to keep the discount rate high enough to prevent excessive investment by the entrepreneurs. Conversely, if the investments of the entrepreneurs are less than the savings that are created, then a fall in prices will take place, and this should be met by a fall in the rate of discount.1

This conception is obviously disconcerting to minds accustomed to the theory of the equilibrium and mutual dependence of prices, which implies, in fact, that a rise in prices may begin on the market for consumption goods as well as on the market for investment goods. Ohlin discerningly called attention to this in his introduction to the English translation of Wicksell's first book. He even admit that as a result of war-time experience Wicksell did not retain complete faith in the conception just summarized. "During his last years," he says,

Wicksell came more and more to doubt the solidity of what had been regarded as the corner-stone of his monetary theory—the idea that if the money rate coincided with a normal rate of interest, which brought about equality between savings and investment, the commodity price-level would remain constant.

He draws the conclusion, then, from some of Wicksell's sentences, that he did admit at the end of his life, though without actually saying so, that even in a case of equilibrium between saving and investment, as generally understood, there might occur a rise or fall of prices. And so he concludes that one of the fundamental elements of Wicksell's original theory would have to be abandoned. 19

But whatever Wicksell may have thought of his own theory, and however unacceptable it may be to his followers and those who

Introduction to Interest and Prices, p. xxi.

<sup>&</sup>lt;sup>1</sup> The most easily accessible account of Wicksell's theory on this point is to be found in his article in the Economic Journal for 1907, pp. 213 ff., under the title The Influence of the Rate of Interest on Pract.

production goods (tools, machinery, etc.) will be increased by the same amount. The price-level of the former will tend to fall and that of the latter to rise. There follows a call for labour (which has become useless for the now reduced production of consumption goods) on the part of businesses making production goods. Saving, by diminishing consumption, will thus have served to set free labour forces that will henceforth serve to increase future production at the expense of the production of immediately consumable goods.

Nothing could be clearer than this. And it has, besides, the advantage of showing plainly that we are concerned here with community saving alone, and not with individual saving. Indeed, if we take the individual point of view only, we see at once that the savings of some may be consumed by others. The thrifty man who buys a farm, a factory, or some stocks or shares does not know whether the seller is not going to consume at once the money he receives. So these transactions do not necessarily increase the capital of the community. The best-known example is that of a State which consumes the savings of the public in war expenditure. There is no saving for the community unless, when account is taken of the consumption by some people of the savings of others, there remains an actual balance which is invested in new undertakings or in improvements of old ones. It is this actual balance, thus invested, to which the term 'savings' is applied in political economy, and to which Böhm-Bawerk's considerations applyconsiderations which are very pertinent but far from exhausting the complexities of the subject.

In the mechanism here described everything turns, in fact, on the hypothesis of non-consumption, or, if preferred, reduction of consumption, by the saver. Now, this reduction is in very many cases useless. We have only to imagine a saver receiving an addition to his income and deciding not to consume it but to procure with it some machines that are indispensable to increase his future production. He has then no need to reduce his normal consumption As a matter of fact, in the economic world of to-day, savings are mainly drawn from additions to income. It is the increased profits of an industry or an individual that are set aside and invested, without any diminution in the personal consumption of the saver or of society as a whole From this follows the important consequence that the fall in the prices of consumption commodities, which was just now considered as bound up with the phenomenon of saving, is in no te ay necessary, since the demand for these commodities has not changed. It may even have increased, if only a part of the additional income is saved, the rest being spent in the purchase of consumable products. And that is what most frequently happens.



There is no need even to adopt the hypothesis of unemployment. The mere growth of population throws on the market every year a new generation of workers, whose numbers depend on the birth-rate. These new teams of workers, hitherto without any income of their own, about the new savings, and while creating new capital prevent the demand for consumable goods from being restricted. Let us imagine a still more familiar hypothesis, large-scale immigration, such as used to take place into the United States, or a large import of foreign labour, as in France. It is obvious that in a great many circumstances new awing does not result in any diminution of the aggregate demand for consumption products, but merely changes the nature of the things demanded.

Such are the immediate effects of an increase in saving at the moment when it takes place-that is to say at the time of that change in demand which is its first manifestation, and which must not be confused with a reduction in demand. But this is only the first phase, as has been so well stressed by Bresciani-Turroni. When saving has attained its object-ie., when savings have been transformed into more powerful or more numerous machines which serve to multiply consumption commodities-then these commodities are in more plentiful supply on the market than before. In this new phase a fall in prices is inevitable unless other circumstances counteract it, such as a greater abundance of gold or paper money. The deep and lasting effect of an increase in annual saving, or simply of its maintenance at the normal level it has reached at a given moment, is a fall in the prices of consumable commodities and services "as a natural consequence of their greater abundance." That is the most certain result of an increase in general productivity due to saving. Whereas in the first phase, the creation of new savings, it is the alteration in demand that interests the economist, in the second, when saving has attained its end (the increase of production), it is the supply. This has been well brought out by Bresciani-Turroni in a noteworthy article in Economica, in which he sums up with admirable conciseness the fundamental notions that make up the modern theory of saving. Now, recent discussions on the influence of saving on crises are concerned essentially with the phenomena of the first phase—those that result from the new direction given to demand—and neglect those of the second phase which result from the increase in supply.

If we take both phases into account, we see how hard it is then to follow in actual events the effects of a relative increase or decrease in

<sup>&</sup>lt;sup>1</sup> Cf. Brenciani-Turroni, The Theory of Savong, in Economics, February and May 1936, p. 69.



still prevailing not many years ago among economists would have us

And Divisia, for his part, asserts that "it is clear that if the growth of saving has not itself, strictly speaking, an actually contradictory character, nevertheless the analysis of its manner of working is full of pitfalls." In particular, adds Bresciani-Turroni, if you wish to use a theory of saving to explain crises, a careful distinction must be made according to whether or not the increase in saving takes place at a time of 'full employment.' If there is unemployment, an extension of production may continue for a considerable time without leading to any reduction in the making of consumable commodities, for the savings provide incomes for workers hitherto without wages, and these incomes they hasten to consume. If, on the other hand, the increase in sayings comes at a time when there is no unemployment—which is the case when a boom is at its height—the result will be to withdraw workers from the manufacture of consumable commodities and attract them into that of production goods. This gives rise to a reduction in the quantity of consumption commodities, followed by a rise in their prices and a nominal rise in wages, with a consequent reduction in profits in all industries with a tendency for production to slacken.

There we have the germ of an interesting explanation of crises. The creation of savings at the end of a boom would account in particular for what was observed in Germany in 1944 by Bresciani-Turroni, a great authority on German economy, <sup>3</sup> that at the moment when the 1942 crisis broke out it was consumable goods that were in short supply and whose price rose. This is in direct contradiction of the opinion of those economits who think that crises onginate in a fall in the prices of consumption products, but it contradicts also the idea that they originate in a scarcity of capital. Their origin would lie rather in a shortage and dearness of labour.

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saving. For all the effects of the first phase are constantly being joined by those of the second, which either counterbalance or reinforce them. In our industrial communities there is a continual creation of savings. Normally part of the net income is saved and only the rest is consumed: it is precisely this that characterizes an economically progressive community, according to the plan set forth long ago by Walras. Can we believe that the fluctuations of savings around this normal point are sufficient to start a crisis? Entrepreneurs who extend their production (e.g., the makers of machines) reckon that normally the weavers or spinners who use the machines will also extend their production of cotton or cloth by saving part of their profits with which to buy more machines. They may be wrong, just as the weavers or the dressmakers may be wrong in counting on the consumers of cloth and dresses to increase their purchases. Have the mistakes of the machinemakers more to do with starting crises than those of the makers of cloth or dresses? There seems no reason why it should be so. All we can say is that the more far removed the manufactured products or the extracted raw materials are, in the chain of their successive transformations, from the finished product, the more is it possible for mistakes in forecasting, if there are any, to continue before the entirprenours are enlightened by the eventual sale or non-sale of that finished product.

product.

So a shifting of expenditure from investment to consumption, or tice teria, will by itself produce hardly any lasting effects. If, for a given aggregate income, the demand for consumable products is increased their prices will rue, and there will be increased profits for the industrialists who make them, and they will find it advantageous to invest these profits in new manufactures. In other words, avings and investment will increase from the very fact of the increased demand for consumable products. And convertely, if it is the savings that have increased, and investments along with savings, then the new ineterments will result in an additional supply of consumable goods, their prices will fall, and this will stimulate purchase by consumers and again reduce that part of income that is invested. Thus an automitic correction comes into play, in whichever direction the mistake is made.

We can but agree with the conclusion reached by Bresciani-Turroni, as follows:

The deeper we attempt to look into the saving process, the more this latter reveals to us unexpected intricacies and manifold forms. This process is by no means so simple and smooth as the conceptions

<sup>&</sup>lt;sup>2</sup> Compared with what it was in the preceding period.

been preached unceasingly by economists, moralists, and statesmen ever since the days of Adam Smith, the thrifty Scot who was the first to undertake its defence.

Such, in broad outline, is Keyner's theus, already elaborated filter than a century earlier by Dupont de Nemours in his note on Saving appended to Turgot's Riferieu, paragraph 77. Here is the essential pasage, whose interest needs no emphasis, despite its ungainly style.

In countries where incomes are paid in money, if those incomes which represent the disposable portion of the harvest, are not spent by their owners, there will be a corresponding portion of the harvest which is not sold, though the cultivator will have paid its price to the owners, without having withdrawn it from his sales by which alore he had planned to be able to pay this owner every year the rum agreed upon. This unsold portion of the harvest, which the farmer would nevertheless like to dispose of, will of necessity fall very low in price. This low price will also of necessity affect other prices, which naturally find their level, as Turgot has very clearly thown (in paragraphs 30, 31, and 32 of his book). But the fall in prices will necessitate in the same way a diminution of production, as we have just seen in speaking of production which only repays its cest, and also a diminution of incomes, which are always proportional to the quantity of products to be sold, combined with the price at which they are sold, and compared with the costs of production. But the reduction of income will still be a loss to the thrifty owners, who will find it hard to understand what they have done to ruin themselves by saving and will see nothing for it but to increase their savings, which will hasten their ruin until they reach the point where absolute destitution makes saving impossible and compels them to throw themselves, too late, into the ranks of the workers.

This is the very thesis adopted by Keynes, who certainly had not read Dupont. He intended it to explain both the unemployment from which Genes Drains had just suffered, and the continued fall of prices after 1930. It accounted for the most recent 'great depression' as well as for long-term falls in general; it provided a comprehensible and simple substitute for the much-criticized quantity theory of more, by putting the theory of prices back in the lower rank of 'subsidiary' theories (p. 39); and, finally, it set economic science free from that 'fallstim' which in all ages has made it appear as "the dismal science," and substituted for it a conception that opened up vast propects for successiful State intervention.

A scientific revolution of this kind could be attempted only by a writer gifted not only with great expository powers but also with a

<sup>&</sup>lt;sup>1</sup> The analogy with Sismondi's doctrine of insufficiency of demand is striking, and we refer the reader to it.

obvious that the mechanism of saving becomes difficult to grasp when we try to follow it in detail.1

The most certain conclusion of the general theory of saving is that by the increase the productive forces it tends to increase the quantity of products and ensequently—in the absence of any exterior causes operating in the opposite direction—to lower their prices. The real income of the community is increased, and the mass of products and services to be shared between its members growt uncreasingly, but the price-level fills. On the whole its effects are beneficial and bring increased well-being to every one.

## V. KEYNES'S THEORY OF SAVING, UNEMPLOYMENT, AND CRISES

The greatest reproach that can be levelled against Keyne's theory, as daborated in his world-famous General Theory of Employment, Intents and Mong in 1936, and outlined before that in his Treatise on Mong in 1930, is that it has not taken account of all the complexities of the mechanism of asving that are revealed by careful analysis. It has been made into a simplified conception—exactly opposite to that of Adam Smith—which is summed up in the idea that saving reduces consumption, absolutely or relatively. And the whole of the demonstration is concerned with this conception.

What happens, asks Keynes, when saving reduces the demand for products? It reduces at the same time the number of employed workers. Now, if the total amount of remuneration forming the aggregate incomes of the workers is diminished, the total money income to be spent by the community is diminished, as well as the aggregate demand for products; the forecasts of the entrepreneurs will be falsified; production will be restricted by the disappearance of profit, the principal stimulus to production; unemployment will thereby be increased; the reduction of incomes to be shared will be intensified-leading to a new shrinking of aggregate demand, accompanied by a new reduction of profits and production. And so the process continues, until the impoverished community falls from prosperity into the depths of misery. So saving, far from being a benefit, becomes a curse, and everything should be done to discourage it and stimulate consumption. Unproductive expenditure, luxury building, public works would all be preferable to this descent into the abyss through the excessive practice of a false virtue that has yet

<sup>1</sup> For this mechanism I must refer the reader to my Thiorie de l'épargu (1922), reprinted in Essais no qualques problèmes économiques et mondaires (Paris, 1933).

accessarily to employ it 'otherwise' than in the purchase of consumption goods, and we must therefore say what 'otherwise' we are thinking of. The sums that are 'not consumed' may be either destroyed or lost or hoarded or invested or used to pay debts. The more numerous the ways of using income the more will their effects on the general concenty differ. In the traditional language of economics saving is identified with investment and distinguished from hoarding, and Keynes is here playing with words.

In his more recent book he does not return to the example of the bananas. At the same time he abandons the idea that there can be any divergence in a community between saving and investment. On this divergence he had previously built up (by a curious union with Wicksell's theories) the whole of his theory of price movements. Now he rejects it, and admits that by definition saving and investment are of accessity identical. But among the forms of investment he includes investment in money—i.e., hoarding—so that the parable of the bananas remains incorporated in the system.

None the less, his conception of saving is no longer entirely the same. Henceforth to save is no longer to reduce consumption; it is only to reduce the properties of income that is spent in consumption. When income increases, he says, there is a tendency for the recipients to increase their consumption, but not to the sentie of the whole increase of income. There is no absolute reduction of consumption, therefore, though in more than one place Keynes returns to his old formula. But the saved income grows proportionally faster than consumption as income increases. In cases of reduced income the opposite process takes place: the proportion saved falls as the reduction procedulary.

Even if the proportion of increased income consumed to that which is saved remains equal to what it was before the income increased, the

<sup>1 &</sup>quot;We take it as a fundamental psychological rule of any modern continuity that when its real income a increased, it was less fair care in consumption by an equal stable amount, so that a greater absolute amount must be award, unless a large said unusual change is occurring at the same tipse in other factors. . Thus means that, if employment and hence aggregate income increase, set all the additional employment will be required to satisfy the needs of additional consumption.

<sup>&</sup>quot;On the other hand, a decline in incopen due to a decline in the level of employment, if it goes far, may even cause cosmophon to extend innore mot only by some mildednis and institutions using up the financial reserves which they have accommissible and institutions using up the financial reserves which they have accommissible to the control of the control of the control of the control markingly, to make the control of the control of the control of the sample, out of borrowed monory. Thus, when employment fails to a low level aggregate consumption will decline by a smaller amount than that by which real aggregate consumption will decline by a smaller amount than that by which real arms that the control of the c

fertile imagination—one, moreover, who has given brilliant proof in his earlier books of his mastery of financial and monetary problems.

The essence of the argument is contained in what Keynes himself calls the "parable" of the bananas. This occurs in an earlier work called A Treatise on Money, which appeared in 1930, some of whose conceptions were to be renounced in the later book, though on this point its principal ideas were retained. Imagine, says Keynes, a community living exclusively on the production and consumption of bananas, but using money for its purchases and sales. Suppose that certain members of this community, smitten by a mania for saving, decide not to buy a portion of the bananas they had hitherto consumed, and suppose, finally, that they do not employ the income thus 'saved' in creating new plantations that would increase their consumption in the future. Saving then "exceeds investment." What will be the result of the operation? Obviously a fall in the price of bananas, which will delight the hearts of all consumers. But there will also be a diminution of the profits of producers, which will fill them with sorrow and compel them to reduce production or dismiss their workmen. So at the following stage-the next harvest-total production will have diminished, and there will be some unemployed. If the group of savers continues every year to reduce its consumption, the impoverishment of the community will continue without limit. In this way saving will have led to disaster, under the cloak of virtue.1

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consist, it is true, in not consuming, but arishust employing in ana production the income thus set fine, so the result will naturally be quite different. 
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We can see here the inconvenience of negative definitions. To define saving as 'non-consumption' is inadequate to denote the economic action we have in mind. For 'not to consume' income is

A Treatus on Money, Vol. I, p. 276.

says Keynes, the increase in incomes, and consequently in prices, the id-to-to-the exploitation of gold-mines comes about simply because that workers are put to work in the gold-mines, and thus receive uncomes and increase the general demand for products. This result might just as well be attained by a quite different method. For instance,

If the Treasury were to fill old bottles with bank-notes, bury them at suitable depths in disured coal-mines which are then filled up to the surface with town rubbish, and leave it to private enterprise on well-tried principles of fainze-fainr dig the notes up again there need be no more unempto and the notes up again well as the properties of the community, and its capital wealth also, would produced, be more sensable to build houses and the like. It would produced, be more sensable to build houses and the like. It would produced, be more sensable to build houses and the like. It would be better than nothing. The analogy between this expedient and the gold-mines of the real world is complete. At periods when gold is available at suitable depths experience shows that the real wealth of the world increases rapidly, and when but little of it is available, our wealth suffers stagnation or decline Thus gold-mines are of the greatest value and importance to civilization (pp. 139-159).

If, then, the exploitation of gold-mines facilitates the raising of prices, it does so, according to Keyner, only by providing a supplementary source of labour. This is a strange thesis, not hatherto adopted by any economist, and it leads to the conclusion that any other kind of labour of equal amount, whether to provide necessaries or luxuries, would produce the same effect, so long as enough paper money a made to pay for it. The Exprisans invented the pyramid, and the Middle Ages the building of cathedrals. Only the modern age is too bort-sighted to discover a way of utilizing the unemployed, providing them with incomes, and thus restoring general prosperity by the consumption of products.

In default of this unproductive expenditure new investments must be found. But the richer we become the rarer become these openings for investment. "The greater... the consumption for which we have provided in advance, the more difficult it is to find something further to provide for in advance" (i.e., to invest in) "and the greater our dependence on present consumption as a source of demand" (p. 105).

Here we touch the weak spot in Keynes's theory—a point of far greater importance than all the other objections often raised against it in matters of detail. It can be put briefly as the fear of the disapparance of openings for productive investment, the idea that the world, having made all possible inventions, will one day find that feetile imagination-one, moreover, who has given bulliant proof in his earlier books of his mastery of financial and monetary problems.

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A Treatise on Money, Vol. I, p. 276.

ancient and modern civilizations. And Hayek, in his article on Saving in the American Encyclopedia, is of the same opinion.

Keynes's theory applies in principle to the general evolution of the economic system. But as it arose in connexion with an acute crisis, with whose circumstances the author was plainly preoccupied, it should also provide an explanation of crises. And here he does not introduce excessive saving, as might have been expected, but the sudden fall of profits.1 The essential character of the cycle, which is its regularity, is due, he says, to variations in the marginal efficiency of capital, or, as we should say, to the sudden fall of profits (pp. 313, 315). Hoarding does not arise till afterwards (p. 316). To remedy the crisis, then, it would apparently suffice to lower the rate of interest and thus supply the entrepreneur with new chances of profit Unfortunately a reduction of the rate of interest, in face of what he calls "the uncontrollable and disobedient psychology of the business world," is generally powerless to cause "the return of confidence . . . which is so insusceptible to control in an economy of individualistic capitalism" (p. 317). It will be useless, then, to reduce the rate of interest, for the pessimistic outlook of the entrepreneurs will make it impossible to persuade them to make new investments.

The remedy will therefore lie in investments by the State, on the one hand—ir, public works that will give employment to the unemployed, thus increasing the incomes to be spent and helping to increase many the increase of consumption. Here, after asserting that the studen collapse of profits is the origin of the crisis, and having declared humber for the from agreeing with the theory of over-investment, Keynes returns to the explanation by under-consumption. He differs only algibily from the under-consumption school, he says, and "I should readily concede that the wisest course is to advance on both fronts at once "fo. so-2".

But if it is so difficult to contend with a crisis when once it has but if it is so difficult to contend with a crisis when once it has but if it is so difficult to be present it? Would it not be a good preventive to raise the rate of discount, which is always identified by Eyrose with the rate of interest? This also he considers inadvisable. When pessimism gives way to optimism in the minds of enterpteneurs,

Whence comes this fall of prefile? From ever-sivesiment, any Keynes. But then, we may reply, you believe in the theory of over-sinvestment, and it is not the lack of several prefile the several prefile the

This identification in the English economic system is not accepted in French political economy, and many continental economists do not accept it either.

abalulæ amount saved will be greater, since the income is greater. Thus "the larger our incomes, the greater, unfortunately, is the margin between our incomes and our consumption" (p. 105). The problem of finding an investment for savings, therefore, becomes mor and more difficult as income increases and the community grow richer. If, however, no solution is found—i.e., if investments do not absorb savings (in other words, if hoarding takes place)—then the employment of labour will at once diminish). This means a reduction in the aggregate income of the community, an increase in unemploymen, and so forth. Here again we may outout the actual words of Kepnes:

An act of individual saving means—so to speak—a decision not to have dinner to-day. But it does not necessitate a decision to have dinner or to buy a pair of boots a week hence or a year hence or to consume any specified thing at any specified date. Thus it depresses the business of preparing to-day's dinner without stimulating the business of making ready for some future act of consumption. It is not a substitution of future consumption-demand for present consumption-demand,-it is a net diminution of such demand. . . . If saving consisted not merely in abstaining from present consumption but in placing simultaneously a specific order for future consumption, the effect might indeed be different. . . . The absurd, though almost universal, idea that an act of individual saving is just as good for effective demand as an act of individual consumption, has been fostered by the fallacy, much more specious than the conclusion derived from it, that an increased desire to hold wealth, being much the same thing as an increased desire to hold investments, must, by increasing the demand for investments, provide a stimulus to their production; so that current investment is promoted by individual saving to the same extent as present consumption is diminished. It is of this fallacy that it is most difficult to disabuse men's minds. . . . For this overlooks the fact that there is always an alternative to the ownership of real capital-assets, namely the ownership of money and debts (pp. 210-212).

If this be admitted, the whole problem of maintaining a community in a state of full employment is, therefore, to find enough opportunities for the investment of the saved portion of income. For it is useless to try to influence saving itself, which is only a residue, the result of the public's "tendency to consumption." "Saving, in fact, is a mere racidual" (p. 63). What is necessary, then, is either to incress consumption in order to treduce saving, or to find new openings for investment in order to absorb the savings.

One objection at once springs to mind. Why should an increase in consumption goods necessarily cause a fall in prices? Are there not periods of rising prices despite a great increase of products, as, for instance, when production from gold-mines is in rapid progress? But,

"On the whole," he says, "my preference is for the latter alternative." But as no essential point of principle is involved, he decides not to develop in detail the arguments on either side.

We will not dwell on these suggestions, which seem so simple when thus formulated. Keynes was too experienced a man to be unaware shimed of the enormous difficulties concealed under this apparent implicity. We live not in a closed system, but in an open one. Each common is affected by what happens in other tival economies, and a system of exchange variations adopted by one country might have violent represusions and arouse the sharpest conflicts, political as well as economic. The policy of "exchange dumping" during the years from 1930 to 1930 to 1930 provided the liveliest international animosities and led to reprisals recrywhere.

Keynes, on the other hand, speaks of the choice between a policy of wage stabilization and a policy of price stabilization as if it were easy to make, and as if States had not so far fround it absolutely impossible, despite all their efforts, to keep either prices or wages stable it is unwise to let the public think that the State has the means at its disposal to achieve such complicated ends. It was a sound observation by Mr Burgess, one of the directors of the Federal Bank of New York and closely associated with that bank's efforts at stabilization, that the price-level has never varied so much as since attempts were made to control it.<sup>2</sup>

In short, the practical remedy proposed by Keynes, as at an earlier date by T. R. Malthus, resolves itself into the setting-up of public works, and to calculate its effects in reducing unemployment he has constructed a complete theory—that of the 'multiplier'—which has failed to convince the British Government as well as the majority of economists.

Compared with his theory of saving Keynes's subsidiary theories are really only of secondary importance. We could go farther, and asy that they are manifestly theories of circumstance, amed at butterssing his main theme. I so we shall not deal with them here, but leave it to the reader to refer to them himself The General Theory, like the author's earlier books, has given rise to very lively controversies. The best-known English economists, like Pigou and Hawtrey, have concurtated on defining their attitude to certain aspects of the theory,

<sup>&</sup>lt;sup>1</sup> See his pamphlet What About Money<sup>3</sup>, published in 1940 by the National City Bank of New York

For a criticism of these monetary ideas see Marget, The Theory of Priess (New York, 1938, 668 pp.), and Einaudi, Runste di Storna Economica, 4th year, No. 2, Dello Montes substorie de salest et also feedbard monetari.

there are no more discoveries to be made, and that when the ninfrment have exploited every conceivable opening they will be faced by a public no longer able to absorb their improved or increased products. Investment will cease when satisfaction is universal and all desires are my.

Is this a real risk? Keynes is not the first to utter these fears. So far they have always been belied by facts. Every age has unwisely boasted that it has reached the height of human knowledge and attainments. Every age, enraptured with its own achievements, has had its enthusiasts to proclaim that the human race will go no farther. And every time the following age has proved it wrong. We speak constantly of the Industrial Revolution of the late eighteenth century. but since then that Revolution has never ceased. After steam came electricity as a motive force; after the railway came the motor-car and the aeroplane to take the lead in transport. Then, after the revolution in power and transport, has come the revolution in raw materials, with plastics replacing cotton, wool, silk, and wood, and cement superseding stone. After the revolution in industry have come the changes brought about in agriculture by the use of artificial fertilizers and the extraction of nitrogen from the air. Is it likely that these changes are at an end? Are science and invention on the verge of bankruptcy? Can we really believe this? On the contrary, what frightens industry is the rapidity with which new inventions follow one upon another, causing such swift obsolescence that the profits of a business are swallowed up by the need to provide for renewal of plant in a few years. Even if invention ceased, it would be a long time before inventions already made brought benefit to entire peoples still living in sordid poverty, and entire classes, even in rich countries, who have as yet no share in the progress of hygiene and general well-being. There is a vast field open to enterprise here. Other economists have answered the same question by a profession

general well-being. Inere is a vast held open to enterprise are consistent and an answered the same question by a profession of faith in precisely opposite terms. Among them are Marshall, in a celebrated passage, and more recently Supder, who sing a hym of praise to the might of invention and saving that have brought economic greatness to the United States. Divisia, in an eloquent chapter in his book on Saving, draws the same conclusion, and quite rightly regards the building of the Pyramids' on the one hand and the construction of machinery on the other as marking the essential difference between

<sup>&</sup>lt;sup>1</sup>The Pyramids have aroused the enthusiasm of many recent writers, and not the least distinguished either. See, for instance, the *Propos & Commission* of the philosopher Alain (Paris, 1934), p. 72, which is a useful reminder to economists of the need for modesty.

particular by Ohlin, I is at once simple and ingenious. It takes us back to the Classical conception of creative saving. It enriches economic science by views that are true and ingenious, and should be regarded as a precious acquisition. It differs in many respects from Keynes's views. Among other points, it rejects his conception of interest and his idea of the 'multiplier,' agreeing in this with Figou and Hawtrey.

## VI: NEW CONCEPTION OF CRISES: HABERLER, FISHER, WESLEY MITCHELL, AND DIVISIA

The contradictory views of economists as to the causes of cruses and the remedies to be adopted have not added to the prestige of political economy among the general public. Some lay the blame on excessive taving, some on its insufficiency. For some the crisis arises from an untellable surplus of consumable commodities; others think that these ame commodities are insufficient at the moment when the crisis begins. There are some who propose to raise the discount rate when the crisis approaches, while others would lower it. Some consider tavings to be more plentiful when the depression is drawing to and, others when the boom is at is theight. Some demand a lowering of wages; others think that the object should be to stabilize them. How way among conceptions and suggestions as varied as the economists whom they consult?

In addition to this there are the mistaken forecasts that well-known specialists have permitted themselves to make. In the United States

<sup>1</sup> Ohlm's reasoning may be summarized as follows. Obviously there is no equality at any given moment between the saving planned by the savers and the investments planned by the entrepreneurs. But actually, after the event, this equality must of necessity cust. Tale the following example Suppose that at a given moment, at the end of a period of equality between investment and consumption, the public decides to reduce its saving and increase its consumption by ten millions during the period following Suppose on the other hand that the entrepreneurs decide to invest the same amounts as in the preceding period. There is then a margin of ten millions between the plans of the savers and those of the entrepreneurs. But what will happen? Owing to the demand created by the increase in consumption, the sales by retailers will go up by ten millions, but at the same time their stocks will diminish by a certain amount—say even milhons. The difference between the diminution in these stocks and the sellingprice of ten millions represents the retailers' profits, say three millions These profits that have accrued to them, and that they have in hand at the end of the period, represent an inference saving. Total savings have therefore diminished by seven millions only, not ten, and the investment that was planned to be ten millions is also diminished by the whole amount of the stocks (seven mullions), and is thus reduced to three millions So there is a real increase in saving of three millions and a real increase in investment of three millions only. The two are therefore in equilibrium. (Economic Journal, March 1937, pp. 65-66.)

new investment must be encouraged. "Thus the remedy for the boom is not a higher rate of interest but a lower rate of interest!" (p. 322). He recognizes, however, that in certain circumstances the raising of the rate may be the only method to employ.1

But although the reduction of the rate of interest provides are openings for entrepreneurs, it also drives people to hoard their savings instead of investing them. What is to be done to prevent one of there effects counteracting the other? We should have to adopt a policy of a continuous fall in the rate of interest, for it is uncertainty as to the later direction of the rate of interest rather than its actual level that leads to hoarding. At the same time we should increase the quantity of money, which is the best way of reducing the rate of interest.

Would not another solution be to reduce the cost of production by lowering wages? Keynes protests against such a suggestion, and make a vigorous attack on Rueff and Robbins, though without naming them. The only purpose served by lowering wages, he says, is that by putting additional money into the hands of the entrepreneurs it makes the rate of interest fall and thereby increases the margin of possible profit. But there is a much simpler way of obtaining the same result: increasing the supply of money-and only a person who is at the same time "foolish," "unjust," and "inexperienced" would prefer the first method to the second.

Here is another suggestion: could not work be redistributed by reducing the length of the working day and increasing the number workers employed? That is what the French working-classes demand when they asked for a forty-hour week. Keynes does not favour the solution: "I see no sufficient reason for compelling those who wou prefer more income to enjoy more leisure" (p. 326).

Keynes concludes (p. 270) that the best plan would be the man tenance of a stable level of money wages. Such a policy, he sit would work best in a closed economic system, but it is still advisab in an open system, provided that equilibrium of prices with the re of the world can be secured by means of fluctuating exchanges. Th applies particularly for short periods. With regard to long periods th question arises whether it is better to keep wages stable while letting pribars fall, or, conversely, to keep prices stable while letting wages is

<sup>2</sup> See pp. 167, 174 234-236. I do not dwell on Keynes's theory of introduction seems to me a return to yideas that were definitely abandoned by the rightent central and Turgot in particulty. The student should read again Turgot's demonstrate (Rifferium, parts - 77), other abundance of money does not mean a reduction in them of interest.

<sup>3</sup> See pp 268-

line with each other? There will inevitably be errors of adaptation in one branch or another, and at the point of tension reached by the different series a single error is enough to have repercussions on all the others.

Presented in this form the theory of crises has many advantages. To begin with, it avoids all recourse, as Mitchell says, to mysterious explanations. There is no one cause of crises, but a group of phenomena which by their juxtaposition and superposition result in a crisis. We shall not place the hlame specially on under-consumption or critic expansion or saving, but shall examine how consumption, production, credit, and saying in certain conditions eventually set up tunion which may be transformed by an actified not on incident into ruptures.

For instance, the old and too long undeceded controversy between the notions of a general and a generalized crisis disappears. No one to-day—or hardly anyone—believes in the general crisis. Every one agrees in recognizing that at a given moment a cumulative process begins, either of a rise or a fall in prices. It starting-point may vary greatly in different crises. The real problem lies in finding in what way irspreads gradually through the national and international economy until it gives the impression of a general crisis. J. B. Say's old formula that he thought would banish the crisis bogy, "products are bought with products," still remains true as a generalization, but has no longer any but the most distant connexion with the phenomenon under disruscing.

If we adopt the view described above we shall understand, too, why crites are either attengemend or mitigated by such external circumstances as the increased or reduced exploitation of gold-mines, or one of those drastic price readjustments that take place after a long war, during which goods have become searce while monetary supplies have increased. We can understand also why there are so many circumstances that provoke a crisis or start a new boom after a depression. As it is a matter of a certain state of the economic system, this can be medified for the better or for the worse by any circumstance whatever that serves to increase profits or to reduce them, as the case may be. So also no one will expect the duration of these cycles to be uniform. Sometimes they are close together, sometimes far apart, precisely because they do not originate in any one definite cause so that the thythm of their development can be determined in advance.

In conclusion, this conception opens up a vast field of work in the historical and statistical observation of crises. The economist is

expanding " (Wesley C. Mitchell, article Business Cycles in Encyclopadia of the Sacial Sciences, Vol. III.)

and Keynes has replied to them, but it cannot be said that any really new ideas have emerged from the conflict. On the other hand we must pause for a moment to mention a couple of very important articles by the Swedish economist Ohlin, who, in connexion with three discussions, summed up in the Emonnie Journal' some of the fundamental views of the Stockholm school on the subjects trated by Keynes and the methods of recarch that he advocates. These views were developed in connection with the unemployment that began in Sweden, as elsewhere, after the 1930 crisis, and they contain several suggestions of great theoretical interest. We shall mention only the two that we consider particularly useful for analysing dynamic economic phenomena, a subject in which the Stockholm school is specially interested.

First there is the very ingenious system of notation used by Ohlin to define on the one hand the different elements in the income of a community, and on the other the different elements in its expenditure, whereby he expresses the equality of expenditure and income. must refer the reader to the book itself, for it cannot be summarize more concisely than Ohlin has himself done. Starting from this notation he concludes that by definition the saving and the investment of a community are necessarily equal.

But then, asks Ohlin, why should Keynes be so worried about how to get savings absorbed by investment, since by definition the two are identical? The reason is, he says, that Keynes has not sufficiently realized the importance of a distinction that is fundamental in the study of dynamic problems-the distinction between forecasts and realizations. Undoubtedly, say the Swedes, if we take up a prospective position there is no equality between the sums that some people wish to invest and those that others with to save. But when they both prepare to realize their intentions, their very actions result afterwards, through the machinery that they put into operation, in the inevitable equality of savings and investments. And he proves it. In short, Ohlin reaches the conclusion that what Proudhon would have called the "economic contradiction," so brilliantly expounded by Keynes, does not exist. Keynes put the question wrongly, and Ohlin shows how it should be put and the consequences that follow from it. The same conclusions were arrived at by a more complicated method by another eminent member of the Swedish school, Lindhal, in his Etudes sur la Théorie de la monnaie et du capital, translated into English in 1939. The theoretical solution given by the Swedish economists, and in

<sup>1</sup> See the first two numbers of the Economic Journal for 1937, Some Notes on the Stockholm Theory of Savings and Incestment.

case seeing the unit amount diminishing in proportion to the fall in price, the producer, while doing his best to defind it, both in rate and in total amount, will at least (and even more so) defind his price to bear this reduced or limited unit profit. Such a phase seems marked by a development of economic organization, by effort and progress in technique, by the development of mechanization, intensive rather than extensive, and by a definitely faster increase in quantities after the initial period of stoppage has passed—than the phase of monetary expansion. It may be noted in passing that this orientation of production will in such a phase require a still more rapid development of industries concerned with the means or agents of the increased and mechanized production, such as the iron and mineral industries.<sup>1</sup>

But what is the origin of Phases A and B? What is the motive power that sometimes raises the general price-level, and sometimes checks the rise and causes a fall to follow? After long investigations and detailed study of the curves of prices and production of the precious metals and paper money, Simiand comes to a very clear conclusion, that the origin of these movements is entirely monetary. The origin of Phase A is to be found in the increase of supplies of money, either from increased yield of gold- or silver-mines or from the manufacture of paper money, while the restriction or slackening of the production of money is the origin of Phase B. The succession of these phases between 1815 and 1914 is clearly connected with the production of the precious metals. First there is a general fall between 1815 and 1850, then between 1850 and 1873 a recovery started by the discovery of the mines of California and Australia, next a new period of falling prices from 1873 to 1895, corresponding to a period of stationary production, and finally a period of rising prices from 1895 to 1929, started originally by the enormous production of the Transvaal mines and then maintained by the universal issue of paper money during the First World War.

This explanation is valid for long-term phases, but is it equally so for the cyclical crises that occur in A and B periods alike? Simple this quantity and the state of the content of the

One question at once arises: does the succession of Phases A and B obey any organic necessity? Are they produced in virtue of a <sup>1</sup> See pp. 462 ff. of Vol. II of his Le Salaim, Phalation socials at la montais (Alcan, Paris, 1905).

as a single, simple, self-generating cycle (analogous to that of a pendulum swinging under influence of the single force of gravity) and as actually realized historically in regularly recurring crise, is a myth. Instead of one force there are many forces. Specifically, instead of one cycle, there are many co-existing cycle, containly aggravating or neutralizing each other, as well as co-existing with many non-cycleal forces. In other words, while a cycle, conceived as a fact, or historical event, is non-existent, there are always in-numerable cycles, long and short, big and little, conceived as todactics (as well as numerous non-cyclical tendencies), any historical event being the resultant of all the tendencies then at work. Any one cycle, however perfect and like a sine curve it may tend to be, is sure to be interfered with by other tendencies.

Fisher compares a crisis to what happens when a ship captizes which in ordinary circumstances is always near to stable equilibrium, but which, after heeling over beyond a certain angle, loses its tendency to return to equilibrium and tends instead to depart from it.

In France similar ideas have been expressed by Divisia. It is apparently the view also of an American writer whose name is associated with every investigation of these 'cycles' for the last twenty-five years, and who has brought to their study not only infinite patience in detailed research but an exceptional perspicacity and flair in economic matters—Weeley Mitchell. In his view there is nothing pathological or mysterious in the process of expansion when an economy is progressing, for each step forward in one branch of activity promotes the progress of others. But how are all these advances to be kept in

1 Irving Fisher, in Econometrica, October 1933, p. 338.

<sup>18</sup> Economic cries appear to be an oscillatory phenomeno of adaptation. We ome across cries of over-production in the whole of industry, where production has to adapt itself to a rapid change in demand, and more generally in case where the entrymner make too many wrong forecasts. We also meet with cries, more or less general, on the occasion of every phenomenon of adaptation, when economic equilibria, the all equilibria, find expression in unsurable reality, not in an ammobility incompatible with life, but in oscillation—one necessary simusoid—around the position of the occasion of every phenomenon of adaptation, when economic equilibria evit is all equilibria of the occasion of every phenomenon of adaptation, when economic equilibria with life, but in oscillations—one necessary simusoid—around the position of the occasion of every simusoid or an ammobility incompatible with life, but in oscillations—one necessary simusoid—around the position of every simusoid or an ammobility incompatible or example. The occasion of the occasion occasion of the occasion occasion of the occasion occasion

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by the manufacture of paper money are certainly connected in some aspects with those that follow the discovery of new metallic deposits, but they differ from them so radically in other aspects (especially in the fact that the issue of paper money as national matter whereas the increase of metallic money is an international phenomenon) that as things are at present it is impossible to identify the two things rationally.

Simiand has made a very interesting application of his theory to the world crisis of 1930.1 In his view this was not an ordinary cyclical crises, but the starting-point of a B phase succeeding an A phase which began about 1895 and continued till about 1929, for Simiand refuses to distinguish the rise in prices due to paper money from the preceding rise due to the influx of gold from the Transvaal. So the 1930 crisis and the depression that followed were merely manifestations of the normal reversal of the trend of economic activity after a long period of rising prices. This interpretation is noteworthy, because it shows that to Simiand the 1930 crisis was not the ordinary kind of crisis but was superadded to a spontaneous long-term price movement. This view is, of course, shared by many economists. But Simiand does not regard this reversal as a result of the financial policy of the belligerents"-a result that appears after every long and widespread conflict -but only as the normal arrival of a B phase succeeding by force of circumstances a preceding A phase. Recalling the statement thatquite rightly, in our view—the 1930 crisis was a unique phenomenon, we are a little surprised that Simuand is unwilling, despite so much evidence from experience, to see in it the inevitable repercussion of war-time financial policies. Moreover, it may quite well be-and we have ourself maintained this thesis - that the 1930 crisis was both the beginning of one of these customary reversals of price movements at the end of a period of increase in gold supplies and the effect of an excessive rise in prices due to the financing of the war. The 1930 crisis would in this case show the combined effects of all the circumstances making for a fall in prices, and this would explain its exceptional virulence.

Simiand's researches remain, therefore, of very great value as a description of important economic phenomena. They reveal once more the attention given by twentieth-century economists to the dynamic aspect of economic phenomena. On the other hand they throw no

<sup>1</sup> In a little book entitled Les Fluctuoitens économiques à longue période et la crise mondiale Paris, 1932).

\*\*Fluctuoitens, etc., p. 83.

See our pamphlet Interprétation de la chute des prix depuis 1925 (Sirey, Paris, 1936).

give a monumental quality to his works and account for the great influence he has exercised in France over a whole generation of investigators. His conclusions have a direct bearing on the theory of crise. Between the features of what Simiand calls Phase A (prolonged period of rising prices) and Phase B (prolonged periods of falling prices) on the one hand, and the phenomena peculiar to the shorter phases of boom and depression on the other, there are striking resemblances.

According to Simiand the union of these two phases. A and B is the essential feature of economic progress, and they are both indispensable to that progress. Their alternation is the means by which it is accomplished. Simiand almost regards this alternation as an organic rhythm in economic life and a condition necessary to its development. If it was desired to 'direct' the economic system, he says, it would be necessary to concentrate on systematically reproducing the alternation of these phases by using artificial monetary means for that purpose. No other economist had hitherto propounded a thesis like this. To them economic progress seems to result from technical causes, such as scientific discoveries and progress in means of transport, which are 'external' to the behaviour of prices, and they think that this progress can be just as well accomplished with stable prices as with those that rise or fall. Long-term price movements are in their view the effect of accidental circumstances, such as greater or less activity in the production of the precious metals or of goods. Most of them even assert (with perhaps excessive assurance) that the greatest possible stability of prices is the object to be pursued.

Simiand takes up quite a different position, unlike that of almost every one else. This gives his doctrine a marked originality, besides investing his intellectual personality with a kind of austere isolation, deliberately accentuated by a literary style that often disconcerts the

reader by its lack of polish.

Phase A is characterized by a general rise in incomes, profits at well as wages, and great economic activity. Now, when the fall begins and Phase B commences, a general effort is made by entripensus and workers alike to keep their incomes at the same level, as they do not wish to lose the benefit of them. This starts the era of great technical improvements and their general extension, and thus the economic system progresses. Here are his own words:

Being unable to increase his unit profit on reduced production, and even to maintain it with certainty at the same rate, and in any

It is true that, in the opinion of an American economist more closely concerned than any other with these attempts, the means proposed for attaining this end have hardly been successful yet.

ion of theories of equilibrium, and while still keeping in close contact with facts, the Swedish theories provide patiently worked-out plans, etter adapted than the older ones to a variety of situations. It is one his lies traced out by these commists, and those on which crain uncrican and continental authors are engaged, that we may hope to epopering practical solutions. The danger to be avoided lies in the tademic subdetice and controversica about ill-defined terms that have great engaged by a clever English economist, D. H. Robertson. The past hof the political economy to follow remains always the faithful comparison of well-observed facts with theoretical constructions wide the property of the property of

## CONCLUSION

Can a history of economic doctrines really be said to have a conclusion?

It is obviously impossible to regard the history of any science as complete to long as that science itself is not definitely constituted. This applies to all sciences alike, even to the more advanced—physics, demistry, and mathematics, for example, all of which are continuously modergoing some modification, abandoning in the course of their progress certain conceptions that were formerly regarded as useful, but which now appear antiquated, and adopting others which, if not cutirely new, are at least more comprehensive and more fruitful. And not only is that true of Individual sciences, but it is equally the of the very conception of science itself. Progress in the sciences may consider the science and the sci

At a conference of the Manchester Political Economy Society.

We are nory we have been unable to give an account of the writings of this distinctive when the municipal to give an account of the writings of this distinctible economist who has put forward many interesting ideas, especially an otonicion with the theory of aixing "Unfortunately circumstances have prevented a re-reading of Robertson's books, which we have been unable to procure

determinism like that which has been thought to determine the cyclical phases of boom and slump? In other words, is there a periodicity of phases like the alleged regular periodicity of cyclical movements? To this question Simiand gives only an evasive reply. Undoubtedly the occurrence of a B phase after an A phase seems almost inevitable. But why should a phase of rising prices or of greater creation of more; be conditioned by an economic necessity? Without excluding all idea of organically necessary periodicity be yet hesitates to affirm it. Still less does he attempt to describe the mechanism by which this periodicity would be produced. Moreover, he adds, this question of periodicity would be produced. Moreover, he adds, this question of periodicity would be produced. Moreover, he adds, this question of periodicity toward be produced. Moreover, and a collental increase of paper money may produce the same effects as an accidental increase of the precious metals. On this point, again, our author does not go into any detail. He only admits the possibility of what he calls "a managed monetary function capable of bringing about he alternation of Phases

A and B "? Many objections arise here, for it seems difficult to attribute the succession of Phases A and B to any other causes than historical circumstances that are largely accidental. There seems to be no feature suggesting the operation of any mechanism connected with strictly economic development. The discovery of the Australian and Californian gold-mines in the middle of last century, like the discovery and exploitation of the Transvaal mines at the end of the century, was due, if not to pure chance, at any rate to geographical or technical discoveries independent of economic evolution. The most that can be admitted is that the general fall in prices that follows a slackening in the production of gold tends to restore its activity by reducing the costs of production of the precious metal and stimulating the search either for new deposits or for new methods of exploiting existing ones. As for the idea that the spontaneous alternation of Phases A and B can be imitated by the 'rational' manufacture of paper money, this has no support from experience, and, even assuming it to be established, it would still have to be shown that the manufacture of paper money can be rationalized. The typical features of booms and slumps caused

\* Ibid , p. 526.

A "In hu [do increase in the previous metah) due originally to pure physical charts in some farme other? There is no doubt that the discovery of these valuable deposits, and their efficient and increasing exploration, have shown no more regularly of dependence on general antecedents in the realm of any science than have the function. It appears, however, that since a fixed and regular periodicity is by no series increase produced an interesting the possibility of the recursary for such anteredents and consequences, the possibility of the recursary for such anteredents and consequences, the possibility of the recurs other these alternations is likely and even probable. Or, against the recursary the contraction of the process already realized in certain sciences." (Sumand, et al., Vol. II, p. 25th the processes already realized in certain sciences." (Sumand, et al., Vol. II, p. 25th).

ill be seen the salient features of the main doctrines. Eventually tre comes a lime when what we see is no longer the sticks of the n but the common tissue in which, at the circumference, these ick disappear. In other words, the sum total of acquired truths is e only legacy left us by the various systems of the past, and this is early thing that interests us to-day.

there can result of so much discussion and polemical warfare has rea the discovery of some common ground upon which all economists, that there was the discovery of some common ground is the domain of economis science—a science that is oncerned, not with the presentation of what ought to be, but with explanation and the thorough understanding of what actually vist. The superiority of a theory is measured solely by its explanatry power. It matters little whether its author be Interventionist or Discal, Protectionist or Free Trader, Socialist or Individualist very one must necessarily bow before an exact observation or a leastfle explanation.

But while these divergent schools tend to be lost in the unity of a one fully comprehended science, we see the emergence of other britishes, less scientific perhaps, but much more fertile so far as the regress of the science itself is concerned. It seems as if a new ind of fan arrangement were making its appearance underneath the id.

This is obviously the case with regard to method, for example, where the reparation between pure and descriptive economous, or threen the theoretical systematization and the mere observation of correct phenomena, is becoming very pronounced. Both kinds of search are equally necessary, and demand different mental qualities of search are equally necessary, and demand different mental qualities circus, however, cannot afford to dispense situe with theory or bervation. The desire to seize hold of the chain of economic henomena and to unravel its secret connexions as a strong as ever if vars. On the other hand, in view of the transformation and the daily excited the secretary of the sear of the secretary of the secretary of the secretary of the secr

Accordingly what we find is a segmentation of economic science into a tumber of distinct sciences, each of which tends to become more or can autonomous. Such separation does not necessarily imply a condict of opinion, but is simply the outcome of division of labour. At

light at all on the mechanism or mode of operation of crises in the strict scnse. In short, what Simiand's investigations have resulted in is a new verification of the quantity theory of money. The pychological reactions responsible for the fact that a new supply of the money material or a diminution in its creation affects production and prices are set by him in the clearest light. What Simiand tells us about is the human decisions that result from these increases and restrictions, and he thereby confirms a thesis that Classical economists have affirmed, though with less detail and scientific minuteness, in every age. But he has added some original views, and buttresses the whole by a wealth of arguments and harmonizing facts not previously met with!

Just as this book was going to press there appeared a very important work by Professor Dupriez, of Louvain, on the same subject as that dealt with by Simiand. It is entitled Des Mouement incomings gindraux (Louvain, 1947, 2 vols.). In it all the economic phenomena discussed in this chapter are subjected to searching examination from the point of view of Walras's theory of interdependence, and the author associates himself in many ways with the ideas let forth in our Section VI.

All the theories examined in this chapter constitute a great effort at formulating a dynamic theory of economic phenomena. More less regular eyclical movements, great rises and falls in prices due to paper money, movements up and down, depending sometimes on the production of the precious metals and sometimes on the extent of technical progress or the abundance of production—these things have been sifted by the authors mentioned in this chapter with a view to describing the mechanism by which these movements are brought about. The difficulty of the problem is shown by the very number of the investigations that have been undertaken, and the variety of the points of view that have been suggested for the subject by these distinguished thinkers.

The result of this enormous amount of work is by no means insignificant. Views are more and more plainly emerging which, when the dust of conflict has cleared away, will survive and remain. In this respect the work of the Swedish school, especially when made more accessible in translations to a wider public, will appear particularly useful and oew. Without uspectling the notions that form the founda-

A thorough discussion of Simiand's methods and results will be found in an article by Charles Morazé, Essi na la méthode de F. Simiand, Histoire d'un tithe (Milimps d'hittoire sociale, I and II, Paris, 1942). largely borrowed from sources other than scientific. Moral and religious beliefs, political or social convictions, individual preference or sentiment, personal experience or interest—these are among the considerations determining the orientation of each. The earlier half of the nineteenth century witnessed the science of political economy making common cause with one particular doctrine, namely, Liberalism. The alliance proved most unfortunate. The time when economic doctrines were expected to lend support to some given policy is for ever gone by. But the lesson has not been lost, and everybody realizes that nothing could be more dangerous for the development of the science than to link its teaching to the tenets of some particular school At the same time the science might conceivably furnish valuable information to the politician by enabling him to foresee the results of such and such a measure; and it is to be hoped that such predictions, all too uncertain as yet, may, accordingly, become more precise in the future.

We cannot, then, suppose that the various currents of punion to-day known as Liberalism, Socialism, Solidarism, Syndicalism, and Anarchism are likely to disappear in the immediate future. They may be given other names, perhaps, but they will always continue to exist in some form or other, simply because they correspond to some profound tendency in human nature or to certain permanent collective interest which alternately sway mankind.

We cannot pretend to regret this. Uniformity of belief is an illusory idea and from a purely practical point of view we should be sorry to tee the day when there will be no conflict of opinion even about those cause or those methods which we hold most dear. Intolerance is the Beat effective form of propaganda, and we will end with the words of the old German writer, Jean Paul Richter, that Sainte-Beuve was so food of quoting: "Without liberty the human spirit is like a bell thanking on the ground: if it is to ring it must move freely in the air."

of that conception in the future. It is scarcely to be expected that political economy, which is still a young science hardly out of its swaldling-clother, will prove itself less mutable than the sciences already mentioned. All that the historian is permitted to do is to point to the distance already traversel, without pretending to be able to guess the character of the road that still remains to be covered. His object must be to appreciate the nature of the tasks that now was the economist, and for this his study of the efforts put forth in the past, to which the preceding chapters bear record, should prove of some anxietion.

A simple analogy will perhaps help us to gauge the kind of imprevsion left upon us by a study of almost two centuries of economic ideas. Imagine ourselves looking at a fan spread out in front of us. At the handle the separate radii are so closely packed together that they appear to form a single block. But as the eye travels towards the circumference the branches gradually separate from one another until they finally assume quite divergent positions. But their separation is not complete, and the more they are spread out the easier it is to detect the presence of the tissue that forms a common bond between the various sections of the fin and constitutes the basis of a new unity which is quite as powerful, if not perhaps more so, than the unity which results from their supersposition at the base.

So it was with the Physiocrats, and still more with Adam Smith, whose theory of political economy was a doctrine of such beautiful simplicity that the human mind could grasp it at a single glarce. But as time went on and the science progressed it was realized that the unity which characterized it at first was more apparent than real. The contradictory theories which Smith had seemed able to reconcile gave rise to new currents of thought, which tended to drift farther and farther apart as they assumed a greater degree of independence. Conflicting theories of distribution and of value began to take the field, and quarrels arose over the relative merits of the abstract and the historical method, or the claims of society and the rights of the individual.

With a view to self-defence, each of these schools took its own particular path, which it followed with varied fortune, including not a few setbacks. Each of them also surrounded itself with a network of observations and inductions, thus bringing into the common fund a wealth of new truths and useful conclusions. This has resulted in the gradual development, around each great body of economic though, of a layer that grows ever tougher and more extensive, forming as it were a common stock of scientific knowledge, beneath which may

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the outset of its career the whole of political economy was included within the compass of one or two volumes, and all those facts and theories of which an economist was supposed to have special knowledge were, according to Say and his disciples, easily grouped under the three heads of Production, Consumption, and Distribution. But since then the science has been broken up into a number of distinct branches. The term 'physics,' which was formerly employed as a name for one of the exact sciences, is just now little better than a collective name used to designate a number of special sciences, such as electricity, optics, etc., each of which might claim the lifelong devotion of the student. Similarly 'political economy' has just become a vague but useful term to denote a number of studies which often differ widely from one another. The theory of prices and the theory of distribution have undergone such modifications as entitle them to be regarded as separate studies. Social economics has carved out a domain of its own and is now leading a separate existence, the theory of population has assumed the dimensions of a special science known as demography, and the theory of taxation is now known as the science of finance. Statistics, occupying the borderland of these various sciences, has its own peculiar method of procedure. Descriptions of the commercial and industrial mechanism of banks and exchanges, the classification of the forms of industry and the study of its transformations are related to political economy much as zoology, descriptive botany, and morphology are related to the science of natural history. And although a different name must not always be taken as evidence of a different science, there is little doubt about the existence of the separate sciences already enumerated. The difficulty rather is to grasp the connexion between them and to realize the nature of that fundamental unity which binds them all together.

But there still remains a wide region over the whole of which divergences exist and conflicts continue, and where, moreover, they will probably never cease. This is the realm of social and political economics.

Despite the gradual rise of a consensus of scientific opinion among conomist, the divergences concerning the object that should be pursued and the means employed to achieve that end are as pronounced as ever. Each of the chief doctrines of which we have given an exposition in the course of this work has its body of representative. Liberth, Communist, Interventionists, State and Christian Socialist continue to preach their differing ideals and to advocate different methods of

Communists, Interventionists, State and Christian Socialists continue to preach their differing ideals and to advocate different method of procedure. On the question of the science itself, however, they are all united. The arguments upon which they base their contentious are

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